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'The Milton Keynes tariff approach to seeking development contributions – a credible alternative to existing mechanisms?'

Being a Report submitted to the faculty of the Built Environment as part of the requirements for the award of the MSc (Spatial Planning) at University College London:

I declare this Report is entirely my own work and that ideas, data and images, as well as direct quotations, drawn from elsewhere are identified and referenced.

(Signature)

(Date)

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'Both the ground rents and the ordinary rent of the land are a species of revenues which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of society, the real wealth and revenue of the great body of people might be the same after such a tax as before. Ground rents, and the ordinary rent of the land, are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them'

Adam Smith, The Wealth of Nations {1776}, BKII, Ch 2, Art 1.

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iii. Abstract

Given the planning gain supplement (PGS) consultation undertaken by the former ODPM, this dissertation aims to understand the multiple approaches available to planners in seeking development contributions to fund infrastructure, particularly affordable housing. The current negotiated section 106 arrangements and proposed PGS approach form the context for considering the viability of a tariff based system as a credible alternative. The example of the Milton Keynes tariff, administered through a partnership of public and private bodies, forms the case study for the report. Given strong policy guidance and a firm consensus amongst actors upon the vision for an area, the qualitative analysis of stakeholder's perceptions within the case study demonstrates the real potential that the tariff possesses in seeking contributions from development. In suggesting that a tariff approach presents a viable alternative to current arrangements in capturing value uplift from development, the report concludes that a successful and effective tariff must be rooted in a strong LDF, benefit from collaboration between actors, be levied at an appropriate spatial scale and retain as much of the rational nexus as feasibly possible. In conducting this research, a clear argument is made for the use of tariff based approaches elsewhere and encourages further research on the debate.

1.0 An introduction to the research

The dual importance of collecting revenues from land taxation and financing public infrastructure schemes has become a controversial topic within planning in recent years.

A crucial reason for this interest has been the changing role of the state within the public realm. The traditional provision of infrastructure through means of the state is now rapidly becoming a bygone era. Politically this change, the net result of dwindling public finances and wider economic pressures, can be traced back to Thatcherism. The 1990's witnessed the emergence of collaboration between the private and public sector in both financing and the provision of soft and hard infrastructure. Yet private finance initiatives (PFI's) and public private partnerships (PPP's) received only limited success during this tenure. Within planning itself, these initiatives stemmed from the recognition that planning decisions had the ability, independent of any single investor action, to generate substantial sums of money from either permissions to develop or change of use on a site. This combination of dwindling public finances and burgeoning developer pockets is seen as the prime motive for an increasingly formal, comprehensive and aggressive move on behalf of the public sector to capture some part of the value uplift experienced through government action to permit development. Consequently from the early 1990s planning has seen the gradual growth of PPG3 and Section 106 arrangements to require developers to contribute funds to local authorities for infrastructure. Over the decade this requirement has evolved from one which seeks contributions to mitigate the infrastructural impacts of single developments to one which expects contributions for public schemes which increasingly have little or no link to the 'taxed' development. For many this is crucial as the private sector is increasingly funding aspects of infrastructure which have traditionally been provided by the government. This shifting expectation from central government is increasingly becoming formalised, and as a result, a source of contention for many.

Within these debates is the crucial issue of affordability within the housing market. The provision of homes at sub market cost in shared equity schemes or outright social rented accommodation, traditionally through the government, is an important responsibility that society must meet. Yet the role of the state within this provision has evolved markedly from the Thatcherite purge of local government and the Right to Buy schemes of the 1980s. Throughout the early to mid 1990s private Housing Association (HA's) companies took up the banner of providing affordable housing to those who required it. This provision is crucial within the wider debate on the expectations of the development industry in contributing to government schemes. Affordable housing provisions, either through land in kind, cash payments or below market cost housing are now one of the major elements to any agreement between local authorities and developers. This is crucial for two main reasons; firstly the UK is facing an affordability crisis within the housing market so the expectation of HA's is becoming ever more elevated, and secondly, there is ever more pressure on the development industry to contribute through the find falls experienced by development, to payout to government.

With this in mind the aim of this paper is to touch on one element of this land taxation debate. With current planning reform in England advocating a formal valuation tax under the banner of the Planning Gain Supplement (PGS), it seems apt to consider some of the potential implications. As this paper will demonstrate, PGS marks a significant shift in planning policy away from negotiated contributions towards a value-based system of development taxation to meet the physical and social needs of communities. A similar approach to this the PGS is the standardised tariff system used in the Milton Keynes growth areas. The industry is keeping a watchful on what is seen as a possible alternative to the new PGS proposals. With this in mind this paper's wider remit is to consider the merits of a standardised tariff and levy based approach to seeking contributions as opposed to the traditional negotiated form.

Key within this wider debate is manner in which the proposed standardised system, manifest in PGS, tackles the important question of affordability. This paper aims to understand issues with current **negotiated** arrangements for capturing value uplift and the reasons for its reform, the merits of the new **standardised valuation** PGS proposals and the perceived performance of the Milton Keynes **tariff** as an alternative in seeking contributions for affordable housing.

To this end the paper has four *research aims*:

1. Review the *principles*, *processes* and *outcomes* of the current **negotiated** system for seeking monies from development, particularly for affordable housing;
2. understand the standardised **valuation** system suggested under the planning gain supplement (PGS) proposals promoted by the government, with a investigation of the implications for affordable housing;
3. in light of the experiences held by key stakeholders in using the Milton Keynes **tariff** system, understand their perceptions of this mechanism and its merits as a credible alternative to S106 and PGS in its ability to deliver affordable housing contributions through qualitative techniques;
4. finally, where possible make conclusions on the implications of a tariff mechanisms for affordable housing supply.

These aims work towards the key research question:

> *'In light of the planning gain supplement consultation and the practical experience held by key stakeholders using a tariff system to seek contributions in Milton Keynes, what are the perceptions towards the planning gain supplement proposals and how much of a credible alternative is the tariff based system to the existing and proposed mechanisms?"*

This papers structure firstly provides an understanding of the existing **negotiated** S106 mechanism and the proposed **value** based system of PGS with particular reference to affordable housing through a literature review. This provides the basis from which to explore and understand the **tariff**-based approach in the example of Milton Keynes using a qualitative data analysis as outlined in the methodology (Section. 3.0). In considering this specific example, the paper makes conclusions on the implications of both the PGS and tariff approach as alternatives to section 106, and the likely impacts for affordable housing.

2.0 Understanding the issues: The negotiated and value based mechanisms for seeking contributions from developers for affordable housing

In introducing the aims and objectives of the dissertation in section 1.0, this section investigates the **principles**, **processes** and **outcomes** of seeking negotiated and value based contributions from developers for affordable housing through a literature and trade press review (research aims 1 & 2).

2.1 *Housing in England: placing the affordability question*

Box 1.0 Barker's recommendations:

1. The government should set a goal for improving affordability.
2. Additional funding of between £1.2-1.6bn /an is required to deliver additional social housing to meet needs
3. A value based planning gain supplement should be introduced to capture some of the gains made by landowners and developers to benefit communities
4. A regional planning executive should be introduced to provide advice to regional planning bodies on scale and distribution of housing required
5. Introduction of flexibility within LDF's to allocate additional land for housing
6. Establishment of the Community Infrastructure fund to help unlock barriers to development
7. Local Authorities to keep council tax receipts from new housing developments to provide incentives for growth and meet costs associated with that growth.

(Barker, 2004)

Kate Barker's Review of Housing Supply reinforces the historical trend that the English housing market responds insufficiently to the needs of its population, resulting in a widening gap between supply and demand (Willoughby, 2006). Latest household projections published by the former ODPM suggest that between 2001 and 2026 5.2 million additional households will be required to meet demand (Holmans, 2006).

In accepting the conclusions of the Barker Review, as summarised in box 1, the government stance on housing supply has shift markedly. Significantly, the the treasury recognises that the provision of new homes is not simply a planning matter, but a major concern of economic policy. In her argument, Barker reinforces the importance of affordability within the market supply, particularly in the South East (Crook & Rowley, 2006). As Holmes notes, household numbers have risen 30% in the past 30 years whilst housing supply has failed to keep pace (2006). Rising prices and an emerging commodity gap, particularly within young people located in the South, is the natural product of this shortfall in supply. Despite these obvious trends only 175,000 homes were built in 2001, the lowest since the Second World War. In the Government's response to the Barker Review, it is suggested that unless the rate of house building is increased, just 35% of 30-34 year olds will be able to buy their home in 2026, compared with 63% in 1980 (2005). To this end the Government committed to:

- a reduction in the housing backlog;
- an acknowledgement that the housing market is crucial in determining supply;
- a commitment to capture value uplift from development;
- an undertaking of good design

(Willoughby, 2006. 19)

The package includes raising building completion rates to 200,000 units per annum, a commitment to affordable housing for ownership, a consultation on a Planning Gain Supplement, a Comprehensive Spending Review of Government, a slush fund for infrastructure in new growth points and the publication of draft PPS3 to replace PPG3 and Circular 05/05 (Willoughby, 2006). Here clearly the issue of affordability is a major element to the Government's new initiative.

2.2 *From betterment to development obligations – the **principle** of seeking contributions*

Achieving affordability within the market has, in recent years, relied on developers and landowners contributing to the costs of dealing with the wider consequences of their schemes, thereby ensuring they contribute to the social as well as private costs of development (in this context affordable housing). Yet an alternative and ascending view held by Barker is to perceive contributions as a formal mechanism for the taxation of economic rent, generated in part by planning constraints and in part by the benefits to home owners provided by regulation and infrastructure. Part of this rent should, according to Barker, be hypothecated for infrastructure provision such as social housing. These two means of conceptualising the provision of affordable housing through planning gain are rooted in wider principles of land taxation and betterment (Butt, 2003). The text will return to the mechanism in which the contemporary system achieves contributions from developers after investigating these principles further.

Land is clearly a factor of production. The ownership of land is said to be one of the most arbitrary contributors to differences in wealth and income within any economy. Brittan cites Winston Churchill's eloquent words from 1909 when the he exclaimed;

> *Roads are made; electric light turns night into day; water is brought from a reservoir hundreds of miles off – and all the while the landlord sits still...he contributes nothing to the process from which his won enrichment is derived!*
> Brittan citing Churchill, 2005, 8.

Historical discussions of development impacts have nestled closely with questions of betterment. The term, as explored by the Uthwatt Committee of 1942, understood betterment to mean the changes in land and property value resulting from public actions. The nationalisation of property rights in the Town and Country Planning Act of 1947, whilst abolished in 1954 due to hostilities from landowners and developers, made the first effort to recoup all betterment from the land. In doing so, the planning agenda founded the principle of government possessing the ability to recoup some if not all of value up lift from development. These rationales argued to be rooted in the belief that land values mainly reflect the activities of society rather than individuals (Healey et al, 1995).

The origins of taxing betterment can be traced to the 1960s through the informal process of negotiated 'development contributions' from developers to both mitigate the impacts of a scheme itself, but also contribute towards the wider needs of the community in which the scheme is found. Present in legislation from 1947, the power to seek contributions correlated with the property boom of the late 1960s leading to demand for development in areas without adequate infrastructure already in place. Whether this arrangement can be seen as a caveat for land taxation is controversial, but undoubtedly an analysis of the states previous four failed attempts to tax betterment would appear to justify Grant's claim that:

> *Some of the vacuum in national policy in this country is presently filled at the local level by an alternative taxing system that goes by the name of planning gain.*
> Callies & Grant, 1991, 77.

The processes of recouping betterment and utilising planning obligations are fundamentally different in nature. The former emphasises the increase in the value of the land whilst the latter focuses on the external costs caused by the development in which these costs are internalised in the overall cost of the scheme. Under the latter process, the planning intervention results in a different distribution of the costs and benefits with the principle aim of making the 'polluter pay' by internalising the social costs of mitigating the impacts of the development. This has been the mainstay of policy from the 1960s.

With market success, development pressures and the importance of planning, the scope and nature of the costs thought legitimate to seek from developers and landowners dramatically increased. As Healy et al notes, attention has '*...now moved to more remote and indirect social and environmental costs, both in policy and legal debate*' (1995, 32) Whilst the magnitude of contributions sought is clearly dependant on the profits from the development it is evident that negotiating obligations where the focus is, theoretically at least, not on the increase in value caused by the planning consent but on the costs and benefits that may be caused by initiating the development is beneficial. In doing so this process is said to ensure the aims of planning and capturing value uplift are planning led, not tax led. Yet the interface between these two processes appears increasingly *hazy*.

These broad principles clearly have a role within the context of this dissertations issue, namely affordable housing.

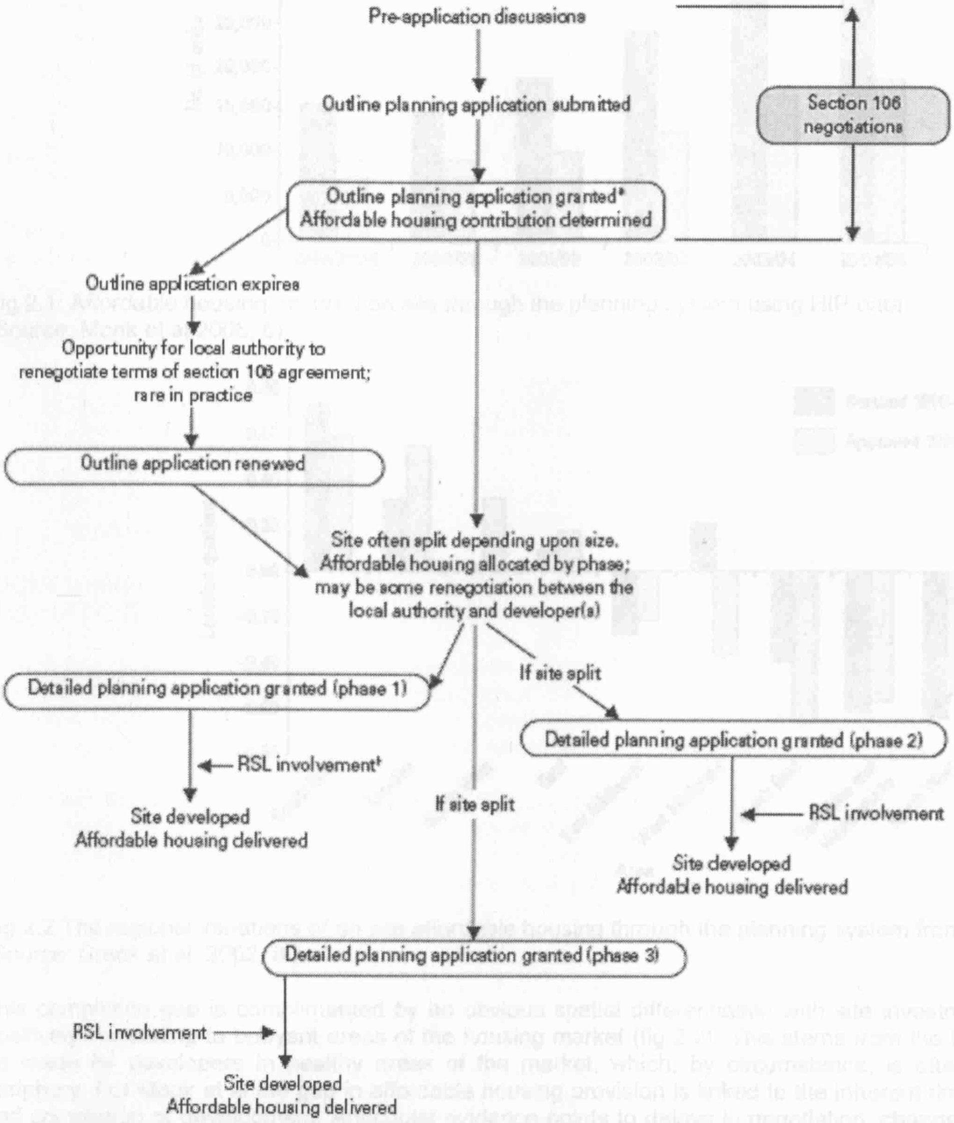
2.2 *The current **negotiated** process for seeking contributions from developers for affordable housing (Research Aim 1)*

The rural exception policy of 1979 was the first government endorsement of securing affordable housing through planning gain. The approach became more widely sanctioned in 1981 on larger housing developments and finally formalised in *Planning Policy Statement 3: Housing* - 1991 (In latest form: ODPM, 2000). Within this policy framework the requirement to seek contributions is *said* be based on the 'rational nexus'. Under this understanding any contribution must be *relevant* to planning, *fair* and *reasonable* in scale and kind, *logical*, directly *related* to the proposed development and *necessary* (Crook & Whitehead, 2004). Yet what began as a means of securing specific and limited contributions in order to consent to a development has evolved into a mechanism to secure community benefits (thus the term 'planning gain'), many of which cannot be strictly linked to mitigations or even the wider impact costs of the development. Campbell et al (2000) note that the current governments fascination with 'sustainable communities' and an 'urban renaissance' are crucial factors in forcing the issue of affordable housing provision to the extent that the revised PPG3 of 2000 makes it clear that developers unwillingness to make these types of contributions would be an appropriate enough reason to refuse permission (DETR 2000). This is significant as the processes of affordable housing provision and betterment taxation have *traditionally* been separate whereby central government tax was non hypothecated providing subsidy to social housing suppliers (Crook & Whitehead 2002).

Crook and Whitehead argue that despite affordable housing contributions being a 'material consideration' for local authorities' when dealing with planning applications, it is difficult to argue its present legitimacy on the grounds of the rational nexus framework (2004). The development of this process means for many it simply a betterment tax and;

> *...that using the tax for social housing is justifiable because of the windfall gains made by the landowners occur in situations where planning constraints limit the supply of new housing, causing an increase in local hosing prices and worsen affordability for lower income households.* '
>
> Crook & Whitehead, 2004, 3.

What Crook and Whitehead label a betterment tax is, under current legislation, the mechanism of **Section 106** (S106) of the Town and Country Planning Act 1990 with the latest guidance given in circular 05/05 (Fig 2.0). This legal grounding begins from the assumption that the land use planning system will determine the number of additional dwellings that may be provided through policy, regional allocations and local plans. It is the role of the system to designate a proportion of the additional housing to be affordable either via low cost market provision or traditional socially rented housing. The use of planning gain in a site by site fashion to fund these initiatives comes in the form of a combination of free land, a reduction of the transfer price of the housing or direct monetary contributions (Crook et al 2002 –Appendix A). This framework is complicated by the fact that S106 is not the only funding mechanism by which housing can be made affordable. Direct government subsidy though the Social Housing Grant (SHG), allocated by the housing corporations, is used for both S106 and 100% affordable sites.



Above Fig 2.0 The affordable housing planning process:
* Outline applications sometimes granted to subsequent approval. + In some cases RSL may be involved from a much earlier stage
Source: Crook et al 2002., 22.

As Crook et al note, the *'interface between this* (government) *financial subsidy and that available through S106 makes it extremely difficult to ascertain the impact…'* of the S106 mechanism (2000, 4). Who actually pays the subsidy depends on the market and bargaining powers of those involved. Securing affordable housing through policy is based on two key prerequisites, namely a flow of land in areas affordability needs and secondly, in areas where development can provide high enough values to cross subsidy affordable housing.

2.3 *The outcomes of the S106 process*

Estimations of net S106 contributions vary according to techniques used. The approach historically presents a mixed performance in delivering affordable housing. Research conducted by Halcrow and Cambridge University found the number of affordable units agreed through S106 rose from 14,000 in 1998/99 to 37,000 in 2004/05 suggesting the effectiveness of the policy is increasing (DCLG, 2006). Yet numbers completed only rose from 9,000 to 18,000 in the same period.

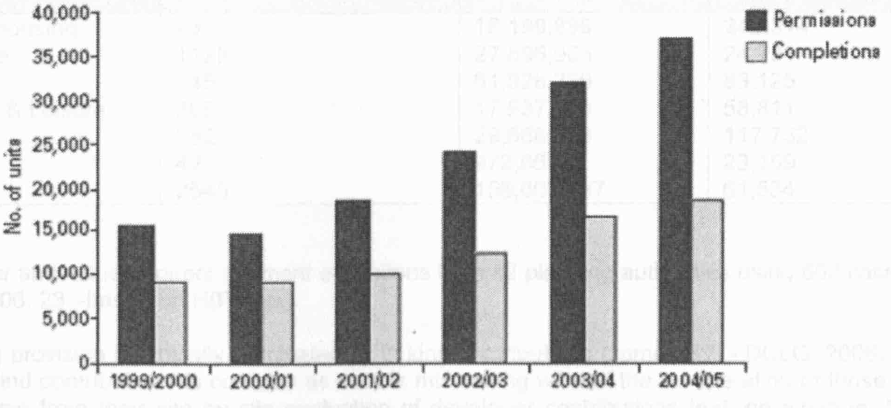


Fig 2.1: Affordable housing secured on site through the planning system using HIP data (Source: Monk et al 2006, 6)

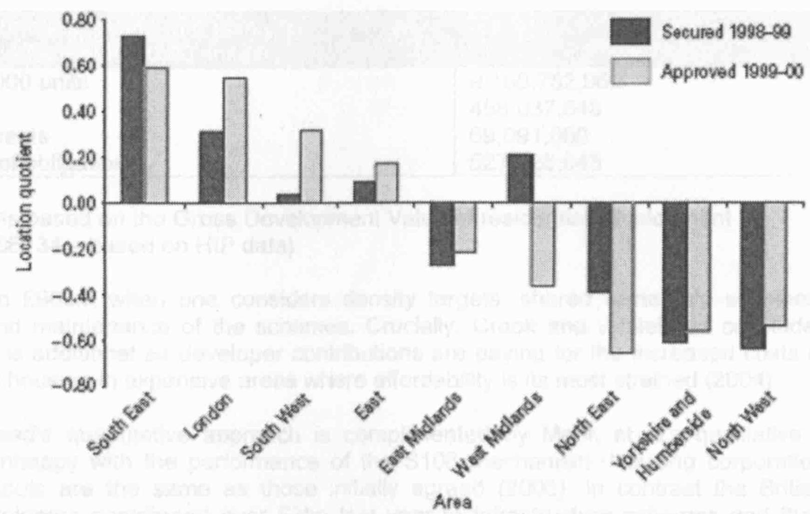


Fig 2.2 The regional variations of on site affordable housing through the planning system from 1999-2000. (Source: Crook et al, 2002, 8.)

This completion gap is complimented by an obvious spatial differentiation with site investment in affordable housing positively correlating to buoyant areas of the housing market (fig 2.2). This stems from the fact that provision will only be made by developers in healthy areas of the market, which, by circumstance, is often to the detriment of the periphery. For Monk et al the gap in affordable housing provision is linked to the inherent time lag between permission and completion of development. Anecdotal evidence points to delays in negotiation, changes in the mix and timing of development and economic shifts as major factors in the gap. Changes to the property market, different owners of schemes as they progress forward, inadequately specified S106 agreements, poor monitoring by local authorities and incentives to developers to provide the minimum possible in terms of affordable housing contributions are all related factors (Monk et al, 2006).

The fact that 55% of affordable housing now relies on planning agreements illustrates the reliance the government places on S106 in meeting the targets of the affordability agenda. The report found that nearly 75% of all affordable housing agreements received some SHG funds implying that S106 is not replacing government subsidy, merely complimenting it. In areas where the market is healthy section 106 struggles to bridge the affordability gap between the earnings of tenants and potential shared equity buyers and the market. It is here that the subsidy is required to bring land for affordable housing down to viable levels for social registered landlords to purchase (Crook and Whitehead, 2004). To this end there is an important, and often forgotten spatial element to how society provides affordable housing. In addition the report justifiably states that this spatial aspect is paralleled fact that S106 seeks contributions not only for affordable housing but other social and hard infrastructure schemes. The competing pressures on planning gain means the continuation of SHG funding is crucial. This situation is illustrated through the direct 'take' or value of S106. Whilst affordable housing sought from S106 has the highest value per obligation at just under £250,000 it is small compared to overall housing market (Fig 2.3).

Obligation types	No. of direct payment obligations in study	Total value of payments (£)	Average payment per obl (£)
Affordable housing	**73**	**18,199,896**	**249,314**
Open space	1128	27,896,905	24,731
Transport	745	61,928,226	83,125
Community & Leisure	305	17,937,283	58,811
Education	252	29,668,393	117,732
Other	42	972,663	23,159
Total	2545	156,603,367	61,534

Fig 2.3 The number and value of direct payment obligations from 42 planning authorities using 662 case studies (Source: DCLG 2006, 23 –based on HIP data)

Affordable housing provision is typically dominated by in kind contributions (some 83% - DCLG, 2006). The process of understanding in kind contributions is complex as data is misleading without the co-operation of those involved. Crook et al (2002) estimate from their site by site evaluation of developer contributions that, on average, 5% of the gross development value is contributed. If 50% of private sector completions attract S106 payments for affordable housing at this 5% figure, 70,000 units would lead to the following contributions:

Private sector completions with planning agreements attached to 70,00 units	(£)
GDV of 70,000 units	9,160,752,960
At 5% GDV	458,037,648
Direct Payments	69,091,000
Total value of obligations	527,128,648

Fig 2.4 Contributions based on the Gross Development Value of residential development (Source: DCLG 2006, 34 – based on HIP data)

This figure rises to £900m when one considers density targets, shared ownership schemes and agreed ongoing contributions to fund maintenance of the schemes. Crucially, Crook and Whitehead conclude that relatively little of affordable housing is additional as developer contributions are paying for the increased costs of concentrating higher proportion of social housing in expensive areas where affordability is its most strained (2004).

Cook and Whitehead's quantitative approach is complimented by Monk et al's qualitative study revealing many respondents are unhappy with the performance of the S106 mechanism. Housing corporations expressed concern about whether outputs are the same as those initially agreed (2006). In contrast the British Property Federation maintains that developers contributed over £3bn last year to infrastructure schemes and that if affordable housing provision was not being delivered it was because local authorities changed their requests (2006. Planning, 2006). However developers did admit, despite the unstandardised nature of S106, that chance for a 'level playing field' offered through negotiations was a welcomed sign of a degree of stability and assurance. Importantly, Crook et al (2006) found most local authority felt the S106 mechanism was becoming familiar to all planning departments to the degree that they are comfortable with its intricacies. Research from Watson (2006) found that S106 negotiations were lengthy, challenging and complicated. The negotiation style used by developers was seen as aggressive by local authority members who felt inadequately trained to deal with the 'hard nosed' negotiation. Other problems include tensions between neighbouring authorities, departmental conflicts, developers and exploiting inconsistencies. Crucially, RSL's and the Housing Corporation thought planners did not understand the needs of affordability in so far as initial provision is only one factor. Maintenance funding is a crucial continuing element to the success of housing schemes but it is all to often forgotten in the negotiators. A secondary factor of this is local authority negotiators tend to negate the strategic element to provisions as S106 is conducted on a site by site basis.

More general principles can clearly be extracted from these research pieces. Is S106 a means to buy planning permission? Does this form of betterment tax disincentivise the market to bring forward land? Is the strategic element to affordable housing lost?

Crook and Whitehead (2004) summarise the state of the S106 system when they conclude the following:

- on *principles*;
  1. the rational nexus has been extended past the range of pure planning gain;
  2. whereby affordable housing requirements can be seen as a betterment tax
- on *process*;
  3. the process of S106 has been accepted ;
  4. yet there are large variations in the capacity of local authorities to act through market forces, supply of land and negotiating skills;
  5. the process is becoming bedded but inherently unstandardised and is hard to pay for comprehensive infrastructure projects;
- on *outcomes*;
  6. the system has helped ensure the provision of affordable housing;
  7. this is spatially differentiated;
  8. with the health of the market being a prime determinant;
  9. with the tax take being relatively small.

So is S106 failing? Research outlined here would suggest not, but the system appears to fall short of government expectations for contributions of additional affordable homes, particularly in a time of a tight government purse.

2.3 *The proposed **value** based planning gain supplement (PGS) – a more formal mechanism of land taxation? (Research Aim 2)*

The planning reforms in the 2004 Act and the publication of the Barker review are the origins of the proposed Planning Gain Supplement (PGS). Yet the notion of a payment structured on a one off or phased payment is not new. There are 3 identifiable approaches:

A	B	C
A project by project payment which is negotiated	A standardised payment paid on completion of development	A regular annual payment on An annual basis which that is linked to land value
Section 106	Planning Gain Supplement or Tariff based approach	Land valuation taxation

The emergence of the PGS proposals can be traced from the 2004 legislation in allowing local authorities to place an optional planning charge as alternative to S106 negotiations (ODPM, 2004).

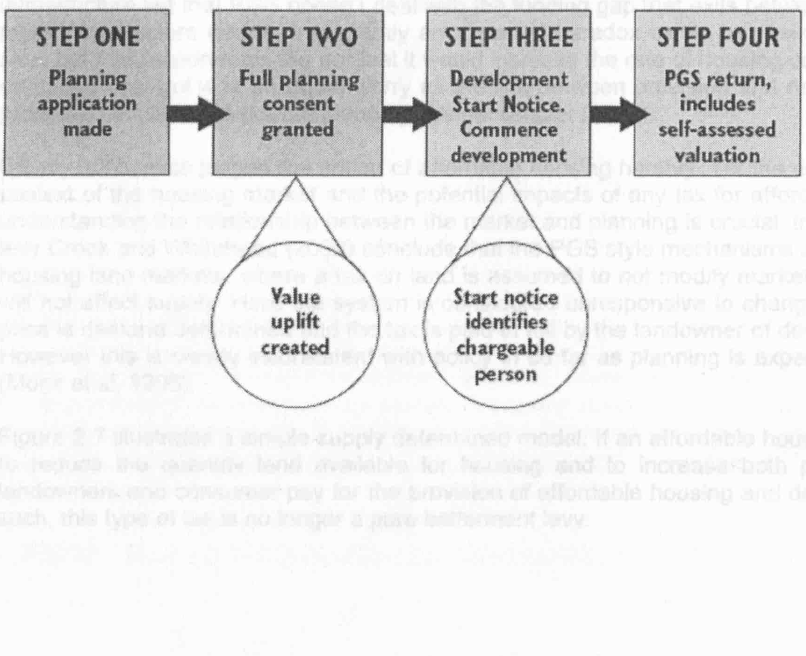


Fig 2.5 (Right): The PGS process, Source: ODPM/Treasury 2005, 19.

As seen in the government consultation, Barker conceives a reconfigured S106 structure to aid localities in financing infrastructure projects and affordable housing alongside a supplementary charge to capture development gains more broadly (Planning, 2006). As Crook and Whitehead state, a major aim of the consultation is to aid local authorities in dealing with the externalities faced when deciding on applications (2004). The approach of the PGS is said to place a priority on creating certainty and achieving quicker outcomes than the current approach. PGS liability is the calculated difference between the value of the land at the current use value (CUV) and the land value with planning consent (PV). Anyone wishing to develop a site would have to serve a 'Development Start Notice' and by doing so would be liable to pay PGS (ODPM/Treasury, 2005. Fig 2.5).

The proposals would not be implemented before 2008 and would capture a *modest* proportion of uplift (expected to be around 20%). The levy would be payable to the treasury centrally, as opposed to local authorities. This fee would apply to non-residential as well as residential development and could potentially be applied to brownfield sites too. The levy would apply across the UK with negotiated planning obligations through S106 scaled back to matters of the environment and affordable housing only (Walker, 2006). As such the new 'tax' is said to have two principle impacts:

1. S106 would be limited to addressing site mitigation at the local level and securing planning obligations through negotiations under a scaled back S106
2. The fact that PGS is a site payment allows for a realigned S106 as, under the current approach, considerable cost is borne by the initial developer while those coming later gain many of the benefits of that initial investment without contributing directly to them.
(Crook and Whitehead, 2004, 5)

Two options are presented for channelling monies back into infrastructure. The first is in the form of grants in direct proportion to the revenues generated in the community. The second option is to use a formula linked to the need for infrastructure rather than revenue generated. In conjunction with this local provision, a proportion of revenues would be directed towards a community infrastructure fund (CIF) to finance strategic projects (Pinfold, 2006).

PGS appears to have stirred many old arguments and has been greeted with mixed reactions. Walker highlights two key questions with regard to PGS; *firstly*, can the tax be calculated and collected effectively without developers withdrawing from the market and land banking? *Secondly*, how much and how transparently will the tax revenues be recycled back into real increases in local/regional infrastructure, and where? (2006). Many label the proposals a 'fudge' as the government has not declared whether PGS is a tax, thus unhypothecated (i.e. it can be spent on anything the government wants) or a hypothecated (ring fenced) impact charge (Hewdon, 2006. MacDonald, 2006). Others point to the existing Capital Gains Tax that landowners already pay. Under PGS assuming a 20% levy, the treasury would accumulate over 50% of uplift gains accrued through development. This can be demonstrated through the example of a £1000 gain (Fig 2.6):

	Owner	Government
£1000 gain from a development	£600	£400 (@ 40% CGT rate)
Under PGS (@20%)...	£480	£200 (PGS rate @ 20%) £320 (CGT on remaining monies)
Gross	£480	£520

The contention that market forces in the periphery will largely miss out on the benefits of PGS as it can only deliver in areas where there is a growth, not necessarily need, seems fair to many (TCPA 2006). The inflationary effect the tax will create and its inability to capture the economic spill of uplift felt by neighbouring properties (unlike a land valuation tax system), is another valid concern (Vickers, 2006). Unsurprisingly the consultees reminded the government that these arguments and issues are not new and have been present every time the Government has attempted to tax land in this formal manner.

These misgivings over PGS correlate well with Regeneration and Renewals survey of house builders and local authority directors on the consultation (2006). It found that respondents believed *more* funding would be available for infrastructure yet that PGS doesn't deal with the funding gap that exits between the figures raised and cash required to meet infrastructure needs. Importantly an apparent paradox exists between overall positive support for PGS on one side, but that respondents did not feel it would increase the rate of housing completions on the other. The centralisation of revenue control was an equal worry as the link between provision and development is clearly lost. Most stated the proposals would not make the planning system simpler (2006).

Clearly economics judges the notion of affordable housing harshly. Yet the need to understand uplift capture within the context of the housing market and the potential impacts of any tax for affordable housing is important. In doing so an understanding the relationship between the market and planning is crucial. In assessing arguments for a planning gain levy Crook and Whitehead (2002) conclude that the PGS style mechanisms are grounded in a single traditional view of housing land markets, where a tax on land is assumed to not modify market behaviour because the extent of that tax will not effect supply. Here the system is considered unresponsive to changes in demand and cost. As such the land price is demand determined and the tax is paid in full by the landowner of developer. The result is no change in output. However this is clearly inconsistent with policy in so far as planning is expected to respond to changes in the market (Monk et al, 1996).

Figure 2.7 illustrates a simple supply determined model. If an affordable housing tax is introduced (S+ tax) the effect is to reduce the quantity land available for housing and to increase both price and density of those homes. Here landowners and consumer pay for the provision of affordable housing and developers pay through reduced output. As such, this type of tax is no longer a pure betterment levy.

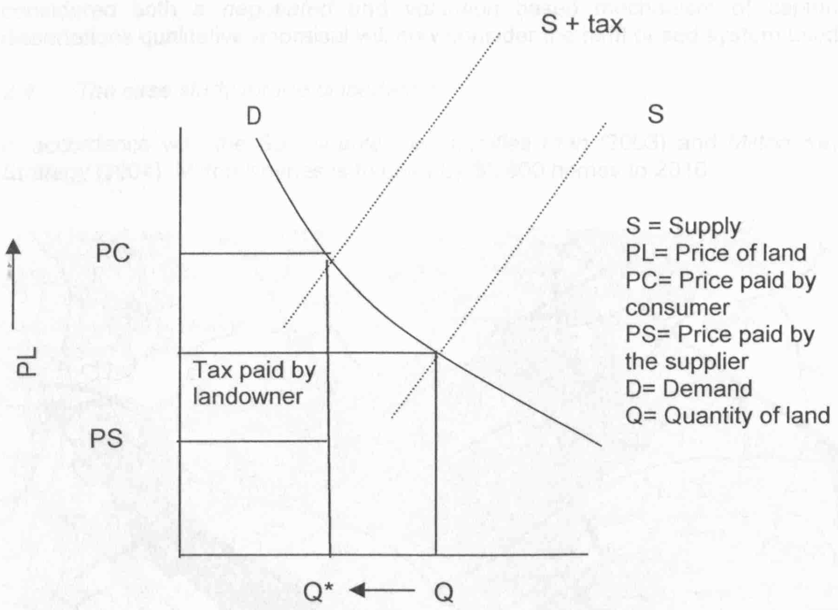


Fig 2.7: A supply orientated model of the economic effect of the effects of land taxation.
Source: Crook and Whitehead, 2002.

Crook and Whitehead conclude if the tax simply transfers economic rent there may be no impact on output of homes, costs and end prices. Yet in reality the situation is far more complex, dependent on policy and subject to the intricacies of the market.

In light of the evidence on PGS, this dissertation can place the issues of the PGS proposals in a similar model to Crook and Whitehead's example for S106.

– on *principles*;
  a. PGS is a clear tax which breaks much of the rational nexus;
  b. PGS is said to have been conceived with a greenfield model in mind where value up lift is greatest. Its performance in brownfield contexts is unclear (Hennebury, 2006);
  c. despite limited planning negotiations in conjunction with PGS, the system clearly provides more certainty for developers (Freer, 2006);
  d. yet there is still a finite amount contributions that can be sought from a development before it becomes financially unviable (Best, 2006);
  e. can be seen to incentivise local authorities to permit consent of developments because of the guaranteed revenues which will result;
  f. revenue generation and planning for public good have become intertwined;

– on *processes*;
  g. the lack of levy distinction between greenfield and brownfield may effect development viability at a time of housing shortage (Amos, 2006);
  h. the value with planning consent (PV) is predicted and cannot predict changes in the market, wider economic cycles and consumer preference (Westlake, 2006);
  i. the central distribution of monies will impinge on the phasing of infrastructure on outcomes;
  j. levy rate is not set (Amos, 2006);
  k. the levy must be hypothecated;

– on *outcomes*;
  l. will PGS more contributions than S106?;
  m. as affordable housing is not included in the levy it may detract funds from affordable housing;
  n. the CIF will further the projects of regionalism and spatial planning providing a emphasised strategic edge to infrastructure provision.

Under the PGS, planning authorities will still be responsible for including affordable housing in S106 agreements. As such, many contend that the more obligations imposed, the lower the land value and the less value uplift available for PGS (Hewdon Consultants, 2006). However this area of provision misses the point for many. If policy reduces affordable housing requirements to compensate for any adverse effects PGS may experience, it will in effect be a zero sum gain, as the total value uplift experienced will not change; it is simply down to the government to decide how it wishes to collect and spend those accrued revenues. These issues are clearly important within the realm of affordable housing provision for two important factors, firstly that infrastructure is a key component to the success of residential expansion and secondly, the PGS levy may place important implications on the ability of the private sector to deliver affordable housing where it is needed, a key component of current policy to meet the affordability issue (English Partnerships 2006).

It is clear that PGS envelops numerous debates and is open to quite serious objection from within the industry. Having considered both a *negotiated* and *valuation* based mechanism of capturing uplift for affordable housing, this dissertations qualitative appraisal will now consider the tariff based system used in Milton Keynes.

2.4 The case study for the dissertation

In accordance with the *Sustainable Communities Plan* (2003) and *Milton Keynes and South Midland Sub Regional Strategy* (2004), Milton Keynes is to grow by 33,900 homes to 2016.

Fig 2.8: The Milton Keynes context with the eastern and western expansion areas.

Heralded as the 'roof tax' in the popular press, the Milton Keynes Partnership Committee (MKPC) business plan allows the local authority to utilise powers to place a planning charge on new development where all sides agree (MKPC 2006). This charge, in a similar manner to PGS, is set as a tariff payment in the business plan which itemises the costs of individual pieces of infrastructure. The agreement reached between developers and local authority in the growth areas seeks £18,500 per unit on the 15,000 of the first phase units and £66 per square feet of commercial floor space (MKPC, 2006). This, much like PGS, is complemented by S106 contributions for affordable housing and land given in kind. Of these monies 10% is payable on the date of planning consent, 15% prior to building and 75% over the period of building.

English Partnerships, the main principle landowner in the expansion areas, has played the role of the forward funder to pay for the necessary infrastructure prior to people moving into homes and the developer paying the final monies owed under the agreement. Crucially, developers have signalled their support for the scheme as it provides the construction industry with a steady stream of work which has a degree of certainty that can be programmed. English Partnership argues that the scheme uses the best aspects of both section 106 and the notion of tariff charge, and could be regarded as a credible alternative to PGS.

3.0: The research approach:
The qualitative techniques used to investigate the Milton Keynes tariff mechanism

Having considered research aims 1 and 2 in section 2.0, Section 3.0 provides a methodology to the qualitative research approach used to understand the tariff system within the describe Milton Keynes example.

3.1 The approach – a deductive logic

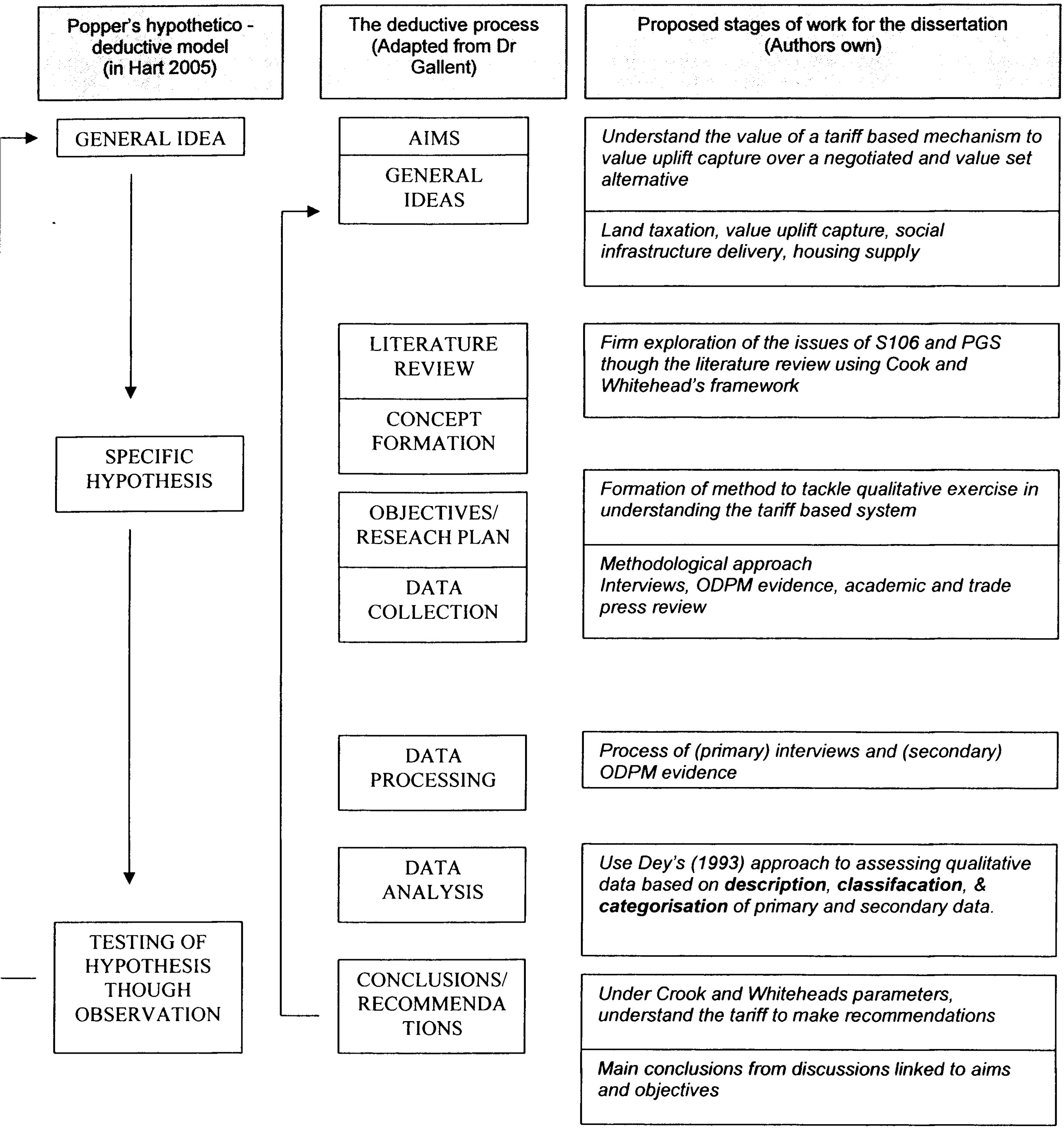
In understanding perceptions of value uplift capture from development, the dissertation employed a deductive logic exemplified in Popper. Science for Popper, in challenging the logic of the positivists, begins with an attempt to understand and subsequently solve a problem, and not from *'disinterested observation'*. This rationalist epistemology states that knowledge comes from deductive reasoning of a question or hypothesis. His *hypothetico-deductive model* asserts that explanations have three elements, a: general, b; a more specific event or process to be explained and c; the conditions under which the general can be explained. More crudely, this logic moves from general ideas to a more specific hypothesis, and then to a testing of that hypothesis through questioning (Hart 2005).

The dissertations aims, as introduced in section 1.0, requires a multi method approach as the preferred choice of data collection (Bryman, 2001. Burgess, 2003). Having considered the issues of PGS and S106 through the literature review, a qualitative approach using interviews and evidence submitted to the ODPM parliamentary subcommittee on PGS was used to understand the Milton Keynes tariff example.

Qualitative research focuses on rich narrative, individual interpretation and the basic element of analysis is words and ideas. Qualitative research is context dependent, which is why it is the preferred methodology for this study as it aims to explore the human experience within a context. The strengths and weaknesses of interviews and literature for this dissertation are summarised by Yin (1993).

Below: fig 3.1: Relative strengths and weaknesses of literature and interviews, adopted from Yin, 1993

Sources	Strengths	Weaknesses
Literature	1. Literature allows the dissertation to understand issues within a temporal dimension using a broad coverage. 2. Careful selection of literature allows for a strong and stable academic base to a dissertation (such as the use of Crook and Whitehead) 3. Literature can provide references and figures such as the affordable housing figures in section 3.0.	1. Literature is a subjective entity with differing methods of data collection, some being more robust than others 2. Selectivity of literature is a crucial factor. The dissertation has extensively used both government reports and academic work with different agendas and aims. 3. This selectivity can manifest itself at the level of reporting. Reliance on one literature base can distort outcomes and introduce bias (in this case potentially Crook and Whitehead).
Interviews	1. The interviews conducted for the dissertation were clearly targeted and based on the exact aims of the work as set out in section 1.0. 2. In doing so the interviews were insightful providing perceptions on value uplift capturing mechanisms. This is a crucial dimension to nay study and could not be obtained purely through a literature review.	1. Semi structured questions, as used in this case, can allow the respondent to stray from the aims of the dissertation. 2. The recall of interviews through transcription can introduce bias and not honestly reflect the interview. 3. Transcriptions can present the author with too much information which is hard to disseminate.



Above fig 3.2: The research process, authors own.

3.2 *The primary data*

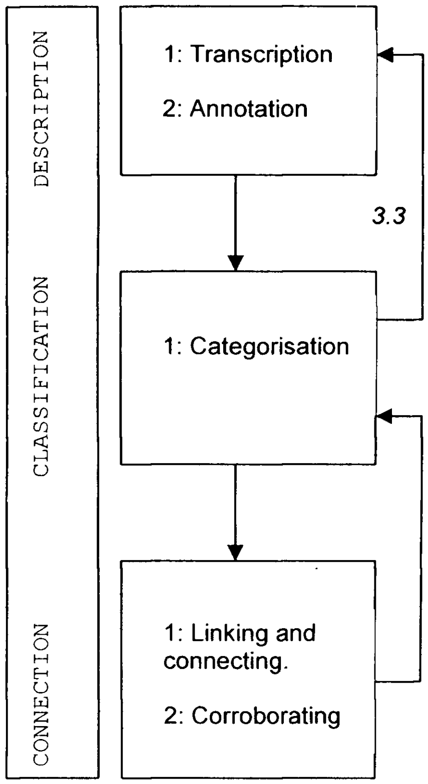
The study used semi-structured interviews as the method of data collection. Interviews allow experiences and perceptions to be investigated from the formulation of interviewee's perspectives (Bryman 2001). They are regarded as an appropriate method when examining participant's opinions, attitudes or perceptions of a topic and are often used in qualitative research. The flexible technique of a semi-structured interview means that the outline of questions could adjust the emphases in the research as a result of the issues that emerge from the interview (Bryman 2001).

Questions did not always follow on exactly as outlined in the interview structure (see Appendix C) but were similarly worded between different interviews. Ultimately the interview process used was flexible and the types of question used are examples of Kvale's (1996) suggested types of questions i.e. introducing questions, follow-up questions, probing questions, specifying questions, direct questions, indirect questions, structuring questions, silence and interpreting questions. The disadvantages of using interviews are that they are time consuming and can lead to interview bias.

The interviews lasted on average half an hour. They were audio taped with permission from the participant, and transcribed for analysis (Read appendix D for a summary of the interviews and annex 1 for the actual transcriptions). Notes were also made after the interview regarding the themes mentioned in the interview as suggested by Keys (1991). As recommended by Lofland and Lofland (1995) due to the vast amounts of data generated by interviews, the transcribing was not left until all the interviewing was done, rather it was conducted and analysed after each interview analysis (Corbin and Strauss 1998). Clearly a transcript based dissertation is lengthy, detailed and thorough. The process was used as it investigates every element of the data. As each interview took an average of 4 hours to transcribe there is a significant argument suggesting that the time spent working through this process could be more productively used elsewhere. This is a comment that benefits from hindsight and one which, in a situation where this dissertation was repeated, a different approach may have been utilised.

The schedule attempted to include as many stakeholders and commentators as possible in the time given to gain a robust perspective on the tariff system as used in the Milton Keynes case study. The respondents were sampled on the basis that they have particular interests in the field, were available for comment and could be broadly labelled as a 'stakeholder'. The dissertation respects the respondent's anonymity.

Respondent 1: An advisor to the TCPA and commentator on PGS, respondent 1 is also heavily involved in the Milton Keynes Partnership
Respondent 2: A director at David Lock Associates, Milton Keynes and Branch chair of the RTPI.
Respondent 3: A director at Hunt Dobson Stringer, London, a specialist in development agreements through S106.
Respondent 4: A planner for English Partnerships who are integral to the tariff system in Milton Keynes
Respondent 5: An associate director at David Lock Associates, Milton Keynes



NB: David Lock Associates (DLA) are the masterplanners on both the eastern and western expansion areas of Milton Keynes. The major landowner is English Partnership. Due to sensitivity issues all the developers who were approached declined to be interviewed. As DLA were contracted by the developers in the tariff areas of Milton Keynes the research must rely on their responses to provide an insight into the perceptions of developers.

3.3 *The secondary data*

The interviews conducted were complimented by evidence submitted to the ODPM committee consulting on PGS on the behalf of the government and Kate Barker. This study has sampled evidence that directly links to the performance of S106 and PGS with particular reference to the Milton Keynes tariff. All evidence is referenced appropriately and given as appendix D.

Having gained an appreciation of the *principles, processes and outcomes* of both S106 and the PGS approaches through the literature review, the qualitative data allowed the research to conceptualise those outcomes within the example of the Milton Keynes tariff in meeting the aims as set in section 1.0.

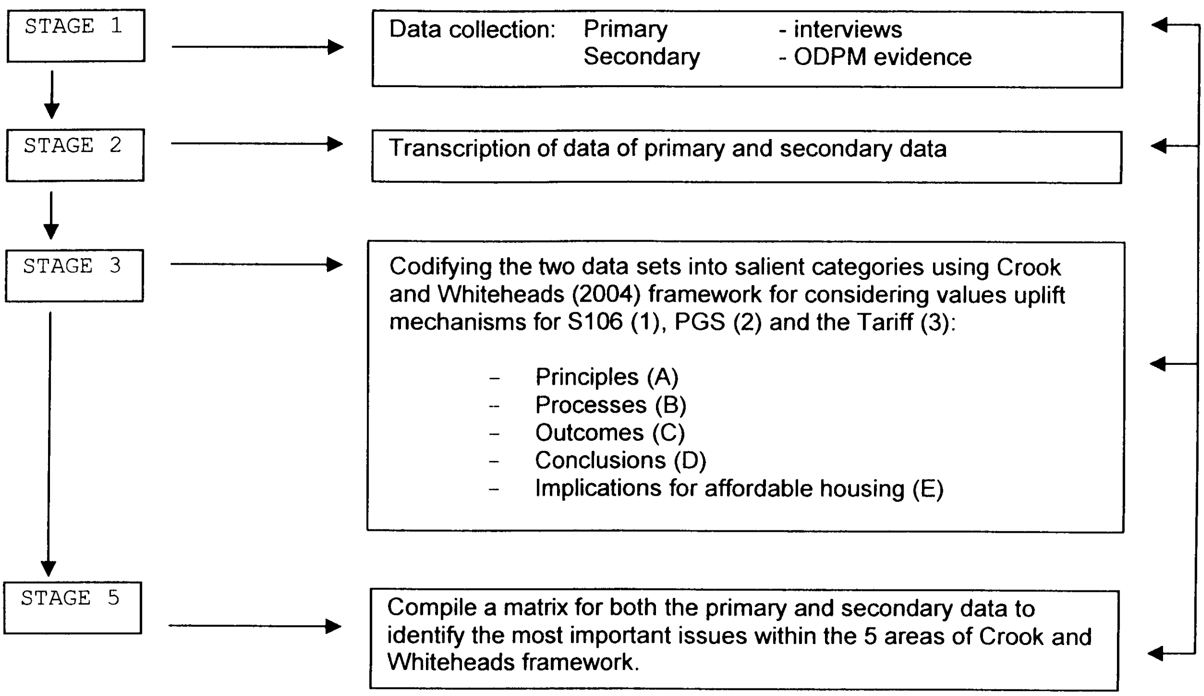
Left: fig 3.3: Deys approach for interview data

3.2 *The technique*

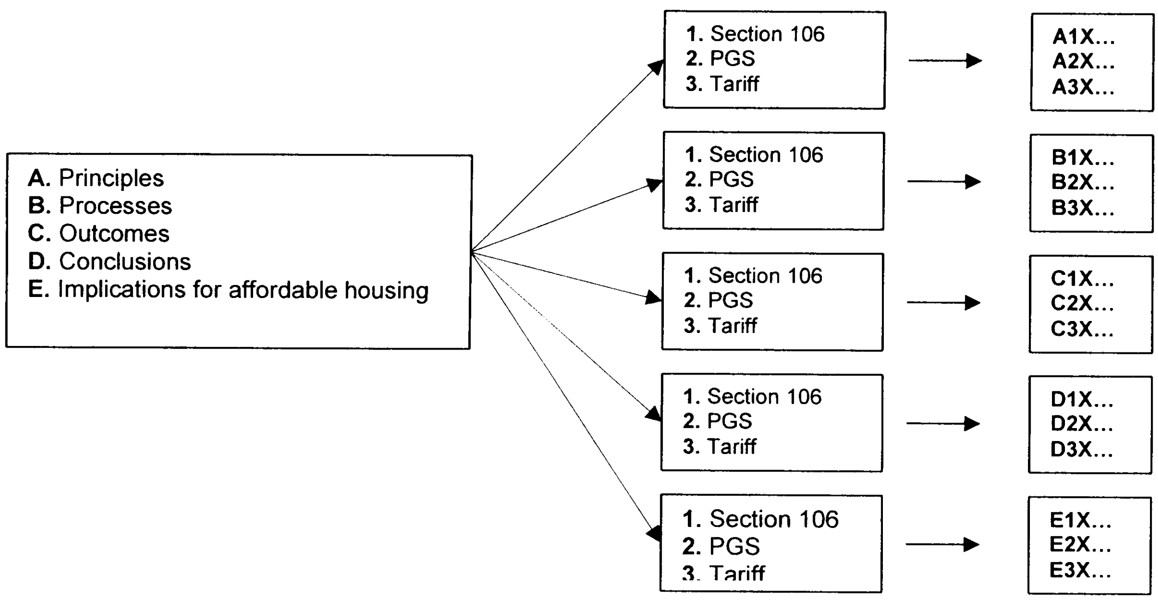
Dey uses a universal approach based on categorisation and connection that seeks to combine aspects of various approaches to gain a deeper understanding of qualitative data (1993). The process is more *'iterative'* than linear (Kitchin and Tate, 2000).

Transcriptions from the respondents allowed the data to be broken down into constituent parts placing them in similar categories (codes in this dissertation – see below). In doing this, the process began to select factors that are important or more salient, thus drawing out commonalties and divergences. Having identified coherent classes of data, the process sought relationships and associations between different classes. This was performed through a matrix of respondents. In doing so, the process attempted to understand the manner in which the data relates and interacts. It is from here that coherent conclusions are drawn. This process is broadly outlined in fig 3.3, and detailed in fig 3.4. The findings of all the analysis, including the literature review, was then used to create a comparable table which summarises the principles and practices of each respective approach discussed.

Below: fig 3.4. The technique of collecting, interpreting and drawing conclusions from the primary and secondary data:



Stage two of the diagram (above) formulates the data into categories. These are presented in figures 3.1-3.5 on the following section. The template for this categorisation is as follows:



3.3 *The validility*

Internal validity is arguably a strong aspect of qualitative research when a good match emerges between the researchers' observations and the theoretical ideas that are developed (Bryman 2001). External validity is questioned by LeCompte & Goetz (cited in Bryman 2001:271) as to the degree in which findings can be applied across social settings.

Clearly validity is hugely important to any study. In this instance, the dissertation is based on an interpretative based method using qualitative data. In the eyes of the author this is an important aspect which other methods cannot reach. In this instance it is important to understand the respondents personal feelings and perceptions of the topic. This is something that a non interpretative approach cannot successfully achieve. Indeed, this is the principle reason why a transcription based approach was used by the study to robustly understand the data as much as possible in the face of potential criticism over the choice of a transcription based interpretative study.

3.4 *The justification*

This research, as outlined in section 1.0, has the ability to inform the wider PGS debate.

The tariff system which is being used in the case study area is attracting significant attention within the industry as it follows the same principles as the PGS proposals, whilst using a different approach. This is important as the tariff, in many people's opinions, constitutes a credible alternative to the PGS. At a time when the government is consulting on PGS, it appears crucial to understand the role the tariff could play. The details of this case study tariff are detailed further in section 4.0.

4.0 The case study: the Milton Keynes tariff
Analysis from interviews and evidence submitted to the former ODPM (Research aim 3)

4.1 Introduction

In examining negotiated 106 agreements and the standardised PGS consultation in section 2.0, section 4.0 considers the credibility of a tariff based approach as an alternative. This analysis makes use of primary interview data (as described in section 4.0) and ODPM consultation secondary interview data to answer the research aims set by the dissertation in section 1.0.

4.2 The analysis

The analysis, as outlined in section 3.0, categorised the perceptions of respondents in four main groupings broadly conforming to Crook and Whiteheads conceptualisation of S106 in their 2004 paper (Fig. 4.1 to 4.5). The dissertations flow models demonstrate the issues that arose within both the primary and secondary data on the three respective approaches. For the purposes of presentation, the data sets are merged for the flow models.

These categorisations were subsequently fed into a basic matrix table to understand the relations and interactions within the data sets (Fig 4.6). (*NB*: read appendix D for a summary of the interviews and annex 1 for the actual transcriptions– the red codes represent the respondent answer which correlates with the codes in fig 3.1-3.6). Here, the data *was* segregated between primary and secondary data.

PRINCIPLES A

Section 106: The negotiated approach
1

A11 Rational nexus
A12 Incentivises local a
A13 Negotiated basis
A14 Inherently 'murky'
A15 An emerging 'steal
A16 Locally orientated
A17 Remit for contributi
A18 General belief that

Planning Gain Supplement:
The value based approach
2

A21 Incentive of infrastr
A22 Rooted in certainty
A23 Formal taxation
A24 Part of wider gover
A25 To simplify and stre
A26 Valuation based
A27 A form of betterme
A28 Shift to region
A29 Greenfield model
A210 Certainty of infras
A211 Dilutes local confi

Tariff:
The standardised approach
3

A31 Low tax and local t
A32 Formal and fair
A33 Retains local conn
A34 Transparent
A35 Standardised givin
A36 Flexible to circums
A37 Rational nexus bro
A38 Milton Keynes circu
A39 Inflexible
A310 Could be used els
A311 Delivers affordabl
A312 Shares aims with
A313 Previous tariff hav

PROCESSES B

Section 106: The negotiated approach
1

- B11 Uncertainty inherent
- B12 Approach accepted an
- B13 Varies spatially
- B14 Market dependant
- B15 Negotiating skills cruci
- B16 Process bedded down
- B17 Lacks strategic elemer
- B18 Reliant on the supply c
- B19 Contributes universally
- B110 Site by site basis
- B111 Lengthy process
- B112 Not transparent
- B113 Not strategic
- B114 Lacks strong decisive
- B115 Regional agenda mus

Planning Gain Supplement: The value based approach
2

- B21 No greenfield/brownfie
- B22 Value prediction is ver
- B23 Centrally administered
- B24 Levy rate not set
- B25 Not all funds will remai
- B26 Is it a hypothecated le
- B27 All sites are included
- B28 In kind contributions st
- B29 Does it quicken applica
- B210 CIF allows for strateg
- B211 Too rigid
- B213 Affordable housing n
- B214 No redistributive elen
- B215 Need more detail

Tariff: The standardised approach
3

- B31 Transparent process
- B32 Only applies to greenfi
- B33 Requires forward fund
- B34 Supported by stakeho
- B35 Flexible to localities
- B36 3 tier package still req
- B37 Relies on consensus
- B38 Affordable housing ne
- B39 Payment split 50/50 b
- B310 Standard payment al
- B311 Defined area – not g

OUTCOMES **C**

Section 106: The negotiated approach
1

C11 Spatially differentiated
C12 Inextricably linked to th
C13 Tax take is relatively S
C14 Affordable homes are r
C15 Covers multiple and te
C16 Can create a good hou
C17 Regional priorities not
C18 LA's must dictate their

Planning Gain Supplement: The value based approach
2

C21 Will PGS raise more ca
C23 Affordable housing is r
C24 Mix and tenure could s
C25 Local authorities prefe
C26 Risk of land banking
C27 Affordable housing will
C28 Levels of affordable ho
C29 Problem of negotiation
C210 Affordable housing w
C211 At a time of need hou
C212 Affordable housing m
C213 Housing options on la
C214 Applying PGS to brov
C215 Periphery will loose o

Tariff: The standardised approach
3

C31 Transparent outcome
C32 Affordable housing ma
C33 £18K/dw and £66/Sqm
C34 Too static for many
C35 Developers may be pa
C36 The market can afford
C37 If unaffordable, develo
C38 Short term market imp

Fig

CONCLUSIONS **D**

Section 106: The negotiated approach
1

D11 Should have consulted
D12 S106 extracts as much
D13 Funds available no long
D14 Never intended to pay f
D15 Increasingly paying for t
D16 Never the chance to ove

Planning Gain Supplement: The value based approach
2

D21 Could combat NIMBYSI
D22 Developers profits alrea
D23 PGS will be pushed thro
D24 Treasury control bigges

Tariff: The standardised approach
3

D31 No approach will accou
D32 It is a good funding app
D33 Hard to transfer
B34 Has a wider appeal
B35 Partnership crucial to su
B36 Should be based on an
D37 Should take into accour
D38 Tariff not yet signed
D39 Tariff is a prestige proje
D310 Developers bottom line
D311 Goes against PPS de

HOUSING E

Affordable housing
1

- E11 Not enough money
- E12 Shared ownership
- E13 £60K house only fo
- E14 New affordable hou
- E15 Need more social h
- E16 Housing targets are
- E17 Supply is increasin
- E18 Proportions of incre
- E19 Housing in Milton K
- E110 £15k-£20k/yr used

Constraints on supply
2

- E21 Land supply
- E22 Planning system
- E23 Commodity gap

Impacts
3

- E31 Shift in role of HA towa
- E32 More shared ownershi
- E33 Hard to create success
- E34 Affordability trends high
- E35 Lack of affordable hous
- E36 Affordable housing form

Changes needed
4

- E41 Consent must be ea
- E42 Attitude shift toward
- E43 Draft PPS3 – aims t
- E44 Milton Keynes case
- E45 Developers worry o
- E46 A housing policy pri
- E47 PPG£ is failing com
- E48 Quality of homes is

	Fig 4.6 Data Matrix	RESPONDENTS																						
			1. PRIMARY					2. SECONDARY																
		Category code	RP	JW	NB	TD	SP	Yvette Cooper	Peter Dixon	Margrat Ford	Kelvin MacDonald	Pro. John Hennebury	Gideon Amos & TCAP	Nick Freer	Liz Pearce & BFP	Mike Gunston	Louis Armstrong	Chriss Hart	Ted Westlake	John Best	Jane Hamilton	Keith Mitchell	Martin Tugwell	Natalie Dear	COUNTS
PRINCIPLES A	S106 1	**A11** Rational nexus		x	x	x					x				x	x									6
		A12 Incentivie motive to local authority	x			x																			2
		A13 Negotiated basis	x	x	x																				3
		A14 Inherently 'murky'			x	x																			2
		A15 An emerging 'stealth tax'	x			x																			2
		A16 Locally orientated		x							x		x		x										4
		A17 Remit for contributions has changed dramatically	x		x																				2
		A18 General belief that infrastructure must be b4 development			x																				1
	PGS 2	**A21** Incentive of infrastructure for local authority	x									x										x		x	4
		A22 Rooted in certainty								x															1
		A23 Formal taxation				x		x																	2
		A24 Part of wider government initiative {Lyons Review}	x	x	x			x															x		5
		A25 To simplify and streamline						x																	1
		A26 Valuation based									x														1
		A27 A form of betterment taxation	x		x																				2
		A28 Shift to region																					x		1
		A29 Greenfield model										x	x				x								3
		A210 Certainty of infrastructure provision as a central theme	x								x														2
		A211 Dilutes local confidence																		x					1
		A212 Fundamental in delivering infrastructure						x																	1
		A213 Treasury led						x																	1
		A214 Question of why development industry not responding						x																	1
		A215 Rooted in the need to provide more infrastructure						x																	1
		A216 The move questions the role of planning	x	x	x																				3
		A217 Clear expectation on private sector	x																						1
		A218 PGS seriously flawed				x					x				x										3
	Tariff 3	**A31** Low tax and local tax	x																						1
		A32 Formal and fair	x			x																			2
		A33 Retains local connection if not nexus		x																					1
		A34 Transparent			x																				1
		A35 Standardised giving certainty	x			x																			2
		A36 Flexible to circumstance	x	x																	x				3
		A37 Rational nexus broken																						x	1
	Tariff 3	**A38** Milton Keynes circumstance unique	x		x		x																x		4
		A39 Inflexible	x			x																		x	3
		A310 Could be used elsewhere	x	x				x		x			x												5
		A311 Delivers quicker than existing system																		x					1
		A312 Shares aims with PGS		x																					1
		A313 Previous tariffs have become unaffordable				x																			1
		B11 Uncertainty inherent	x							x	x														3
		B12 Approach accepted amongst users		x				x				x			x										4
		B13 Varies spatially				x					x	x			x										4
		B14 Market dependant	x																						1
		B15 Negotiating skills crucial				x							x												2
		B16 Process bedded down		x																					1

PROCESSES B

Section	Item																							Total
S106 1	**B17** Lacks strategic element			x																				1
	B18 Reliant on the supply of land								x															1
	B19 Contributes universally			x																				1
	B110 Site by site basis	x																						1
	B111 Lengthy process			x					x			x												3
	B112 Not transparent															x								1
	B113 Not strategic		x																					1
	B114 Lacks strong decisive guidance				x																			
	B115 Regional agenda must dictate more for strategic view				x																			
PGS 2	**B21** No greenfield/brownfield distinction			x			x		x	x		x		x		x	x	x						9
	B22 Value prediction is very complicated		x	x						x	x			x			x	x						7
	B23 Centrally administered means could be slower process									x		x		x	x								x	5
	B24 Levy rate not set			x							x	x								x				4
	B25 Not all funds will remain local {CIF}			x			x			x											x	x		5
	B26 Is it a hypothecated levy?			x			x																	2
	B27 All sites are included									x		x												2
	B28 In kind contributions stopped?										x													1
	B29 Does it quicken application time?								x															1
	B210 CIF allows for strategic element			x																	x	x		3
	B211 Too rigid										x													1
	B213 Affordable housing not included in levy																				x			1
	B214 No redistributive element						x			x		x												3
	B215 Need more detail		x	x			x				x	x												5
	B216 LA will have to bid for CIF funds = another layer to process												x										x	2
	B217 Must be transitional arrangements											x												1
	B218 Forward funding may be needed						x						x											2
PGS 2	**B219** Disadvantages commercial development													x										1
	B220 Disincentivises development														x	x								2
	B221 Phasing issue if money is controlled centrally.														x							x		2
	B222 80% of funds should be spent locally											x												1
	B223 Mixed use promoted by PGS for all sites																x							1
Tariff 3	**B31** Transparent process		x	x																				2
	B32 Only applies to greenfield land	x																		x				2
	B33 Requires forward funding			x									x									x		3
	B34 Supported by stakeholders		x																	x				2
	B35 Flexible to localities		x																					1
	B36 3 tier package still requires negotiation		x																					1
	B37 Relies on consensus	x		x					x											x				4
	B38 Affordable housing negotiated	x		x	x															x				4
	B39 Payment split 50/50 between local and city wide schemes																			x				1
	B310 Standard payment allows for certainty				x						x													2
	B311 Defined area – not geographically universal																			x				1
	B312 Abnormal development costs are deducted		x																	x				2
	B313 In operation to 2016	x			x																			2
	B314 Protracted negotiations on what was to be included	x		x	x																			3
	B315 Payment phased	x																						1
	B316 Allows for a strategic element to infrastructure		x																					1
	B317 Process has failed to receive Housing Association backing		x	x																				2
	B318 Private finance is interested in forward funding role		x																					1
	B319 Costs of infrastructure not solid			x																				1
	B320 May speed up p permission rates				x																			1
	C11 Spatially differentiated															x								1
	C12 Inextricably linked to the health of the market	x	x																					1

PROCESSES B

OUTCOMES C	S106 1	**C13** Tax take is relatively Small!		x																					1
		C14 Affordable homes are not additional	x	x																					2
		C15 Covers multiple and tenuous contributions	x																						1
		C16 Can create a good housing mix											x												1
		C17 Regional priorities not present at local level				x																			1
		C18 LA must dictate what they want and priotiise				x																			1
	PGS 2	**C21** Will PGS raise more cash than S106?		x							x			x	x				x						5
		C23 Affordable housing is not included therefore, static									x										x				2
		C24 Mix and tenure could suffer	x	x									x												3
		C25 Local authorities prefer land in kind										x													1
		C26 Risk of land banking						x			x		x												3
		C27 Affordable housing will dominate outcomes as = priority			x							x										x			3
		C28 Levels of affordable housing could suffer											x												1
OUTCOMES C	PGS 2	**C29** Problem of negotiation still exists with on site issues	x																						1
		C210 Affordable housing will not have PGS funds											x												1
		C211 At a time of need housing may become more expensive	x																						1
		C212 Affordable housing may loose out to levy							x																1
		C213 Housing options on land another form of land banking						x																	1
		C214 PGS on brownfield= sites economically unviable	x																						1
		C215 Periphery will loose out to the housing market in the core.			x			x																	2
	Tariff 3	**C31** Transparent outcome																			x				1
		C32 Affordable housing may deflect from other needs											x												1
		C33 £18K/dw and £66/Sqm is significant			x																				1
		C34 Too static for many										x													1
		C35 Developers may pay too much for infrastructure	x																						1
		C36 At the moment the market can afford the impacts of tariff				x																			1
		C37 If unaffordable, developers will ignore the tariff	x	x		x																			3
		C38 Not sure how it may adversly effect the market		x		x																			2
CONCLUSIONS D	SO6 1	**D11** Should have consulted more on S106	x	x	x										x		x								5
		D12 S106 extracts as much as it can																		x					1
		D13 Funds available no longer enough													x										1
		D14 Never intended to pay for the amount of items it does	x																						1
		D15 Increasingly paying for things provided by the LA	x		x																				2
		D16 Never the chance to overhaul the existing system		x																					1
	PGS 2	**D21** Could combat NIMBYSM													x							x			2
		D22 Developers profits already subject to capital gains tax																x							1
		D23 PGS will be pushed through anyway	x																						1
		D24 Treasury control biggest hurdle to the process	x	x																					2
	Tariff 3	**D31** No approach will account for all that is required	x	x																x			x		4
		D32 It is a good funding approach	x																						1
		D33 Hard to transfer		x																	x		x		3
		D34 Has a wider appeal	x		x																x				3
		D35 Partnership crucial to success	x	x	x															x	x		x		6
		D36 Should be based on an investment plan		x																					1
		D37 Should take into account inflation													x										1
		D38 Tariff not yet signed	x																						1
		D39 Tariff is a prestige project	x																		x				2
		D310 Developers bottom line is most important factor	x		x	x																			3
		D311 Goes against PPS density targets	x																						1
		D312 Negotiations could undermine certainty	x																	x					2
		D313 Certainty valuable	x	x	x	x																			4
		D314 Skills set shortage		x																					1
		D315 Forward funding doesn't sit well with treasury		x																					1

		Item											Total
		D316 Tariff should be replaced		x									1
		D317 Tariff needs strong guidance from policy		x	x	x							3
		D318 Win/win situation		x	x								2
		D319 Doesn't have a redistribution element			x								1
HOUSING E	Affordable housing 1	**E11** Not enough money for affordable housing								x			1
		E12 Shared ownership integral to filling commodity gap							x		x		2
		E13 £60K house only for construction							x	x	x		3
		E14 New affordable housing tends to be on greenfield									x		1
		E15 Need more social housing							x				1
		E16 Housing targets are <u>not</u> set to generate cash for a. homes							x				1
		E17 Supply is increasing							x				1
		E18 Proportions of increase in homes not set out							x				1
		E19 Housing in Milton Keynes based on shared O. schemes	x										1
		E110 £15k-£20k/yr used to assist in each shared O. scheme								x			1
	Constraints on supply 2	**E21** Land supply									x		1
		E22 Planning system									x		1
		E23 Commodity gap	x		x				x	x	x		5
	Impacts 3	**E31** Shift in role of HA towards shared ownership			x					x			2
		E32 More shared ownership new builds now than traditionally								x			1
		E33 Hard create successful communities with a. housing rates	x										1
		E34 Affordability trends highly complex							x				1
		E35 Lack of a. homes has no inflationary effect							x				1
		E36 Affordable housing = a large section of contributions	x										1
	Changes 4	**E41** Consent must be easier for RSL's and HA's							x				1
		E42 Attitude shift towards owning own homes							x				1
		E43 Draft PPS3 – aims to increase supply	x						x				2
		E44 Milton Keynes case: new housing needs study for Sept	x										1
		E45 Developers worry over affordable housing targets	x										1
		E46 A housing policy priority = no change	x										1
		E47 PPG3 failing communities – must be changed	x										1
		E48 Quality of homes is comprimised	x								x		2

3 or more respondents who stated a similar position

3 or more consultess who stated a similar position

4.3 The results

The results for the qualitative element of this dissertation are understood within the same framework as both section 106 and PGS. This section should be read in conjunction with appendix D of the dissertation. The table below displays the most frequently referred to codes within the primary and secondary data as a means to disseminate the key findings from the data sets. The table is in no way inclusive of all elements to the data, but this study assumes the number of referrals within the data to be a measure of importance within the respondent pool.

Primary interview data			**Secondary ODPM data**		
Code	**Count**	**Category**	**Code**	**Count**	**Category**
A13	3	106	A11	3	106
A24	3	PGS	A16	3	106
A216	3	PGS	A21	3	PGS
A38	3	Tariff	A29	3	PGS
B38	3	Tariff	A310	3	Tariff
B310	3	Tariff	B12	3	106
C24	2	PGS	B13	3	106
C37	3	Tariff	B21	8	PGS
C38	2	Tariff	B23	3	PGS
D11	3	106	B25	4	PGS
D35	3	Tariff	B214	3	PGS
			B215	3	PGS
			C21	4	PGS
			C26	3	PGS
			D35	3	Tariff
			E13	3	Housing
			E12	2	Housing
			E23	3	Housing

Fig 4.7: The most referred to codes within the primary and secondary data of the dissertation.
Taken from the matrix of data, figure 3.6.Authors own

The section will now concentrate on the two data sets **key** findings.

4.4 The data (i. Primary data. ii. Secondary data)

A. On principles...

i. The changes being witnessed within planning gain approaches represents a wider shift in the focus of planning according to the respondents (A13). The very fact that the PGS consultation was led by the treasury demonstrates the shifting expectations placed on planning by government to deliver infrastructure for new communities. This contention within the primary data appears to correlate well with the findings of section 2.0 which suggests that the planning system is currently being placed under heavy scrutiny by government. Accordingly, it is up to the industry to deliver on its promises of gaining revenues from development to fund infrastructure (A216).

The example of the Milton Keynes tariff itself appears unique (A38). The fact that the approach is being used on greenfield land without the complications of multiple stakeholders was thought to make it easier to implement than within a brownfield area.

ii. The rational nexus as discussed in section 2.0 is seen as a crucial factor to the success of planning gain approaches (A11). As Peace states, *'If you break that link* (the nexus), *if local authorities cease to receive back the full benefit arising from the development that has been done, they are going to be less inclined to favour the development'*. Respondents felt that any tariff must endeavour to continue to retain some of a local link between infrastructure provision and development (A16).

The fact that a tariff or PGS would guarantee infrastructure such as affordable housing appears crucial amongst respondents. Many questioned whether the attractions of planning gain would blur the judgement of local authorities in their planning decisions (A21).

Importantly, a significant number of consultees, including the housing minister, felt that a tariff-based approach did represent a viable alternative to the PGS (A310).

B. On processes...

i. The fact that affordable housing is excluded from the tariff proved highly controversial amongst respondents for two reasons. Firstly an extensive negotiation still occurs within the tariff, but it is at the outset when the levy rate is negotiated and set. To this end the negotiating period is only being moved. Secondly, as section 2.0 demonstrates, affordable housing presents the single biggest payment made by developers (around 150% of the £18,500/dwelling in the tariff example). Clearly the fact that this part of the contributions is negotiated provides the chance for the developer to minimise the contributions made to affordable housing with the net result being lower levels of housing at a poor standard.

ii. Reflecting Crook and Whiteheads 2006 study, consultees felt that the industry had become suitably familiar with section 106 arrangements (B12), despite the approach being spatially differentiated (B13). As a result many considered that the PGS consultation should have concentrated on amending current 106 arrangements instead of overhauling them. This contention correlates well with the primary data in this dissertation.

The fact that both PGS and tariff lack a brownfield/greenfield distinction highlights the commonalities that the two approaches share (B21). In the example of the tariff, the apparent inability of the Milton Keynes example to be used in a brownfield context appears a major issue. Yet the fact that the tariff has a redistributive element is an attraction whilst a direct criticism of PGS. The tariff benefits from application at a smaller spatial scale so that redistribution occurs at the citywide scale and, by its very virtue, retains at least some of the treasured rational nexus. In the PGS approach, the redistribution of revenues is understood to occur nationwide, something that is unpalatable within the data pool.

C. *On outcomes…*

i. The payment per dwelling process within the tariff approach goes against policy according to many respondents as building high density development incurs higher tariff charges simply because of the number of units (C24). Consequently developers, were policy permits, are said to be more inclined to build larger detached housing where profits can still be achieved. The balance, according to respondents, is to promote high density development without stifling developers who will always protect their bottom line profit.

This correlates well with section 2.0 that demonstrates the historically oppressive nature land taxation has had on the development industry resulting in land banking. It is clear to respondents that if the tariff rate were set too high elsewhere, it would initiate a slow down in development (C37).

Indeed the future implications of the tariff on the market, particularly if used elsewhere, are hard to predict (C38). As with PGS, the impacts of a tariff has on the market is inextricably linked the levy rate set. A tariff is said to require strong policy direction which guides a sensible and fair rate which the market can afford.

ii. A crucial question facing any new scheme is whether it will raise more revenues than the approach it replaces (C21). The Chief Executive of Milton Keynes Council believes that the tariff *'...increased roughly three fold the amount of contributions from development...* when compared with section 106. Whether this would be true elsewhere is problematic.

Indeed, any discussion on amounts of revenues raised suggests confidence in the reception of any new approach by the market. As with the primary data from this study, this is something that isn't guaranteed with land banking a real threat.

D. *Conclusions*

i. The primary data demonstrates the importance attached by respondents to the notion of certainty within the process of seeking contributions from development (D313). In the case of the tariff the *'...certainty of knowing that a fixed payment will deal with the majority of contribution costs and will deliver permission* (for a development) *is gold dust....'* to developers according to respondent 1. This contention correlates well with section 2.0's findings that lack of certainty within section 106 was a major motive for the consultation of PGS.

ii. A key component of the tariffs perceived success in the Milton Keynes example is the approaches reliance on partnership and consensus amongst stakeholders (D35). As Ms Hamilton of Milton Keynes Council professed, the tariff is *'...very much a multi agency approach where Milton Keynes Partnership is working with all partners...'*. Respondent 4 noted that there is a general support for the initiative at Milton Keynes at all tiers of government. To this end, all consultees agreed that strong policy bound in partnership and inclusiveness was a key component to the success of any tariff approach.

E. *Housing*

i. The commodity gap that exists within the housing market is clearly a major constraint on the supply of homes according to the data (E23). With this gap diverging, the new Milton Keynes Housing Needs Survey due for publication in September is said to be allocate ever more resources to socially rented accommodation over shared equity schemes as earnings simply cannot keep pace with the housing market.

In achieving higher rates of delivery for affordable homes, whether socially rented or shared equity schemes, RSL's and Housing Associations planning applications should be viewed with sympathy and given swift consent according to the data.

ii. As with this dissertations primary data, secondary consultees felt that shared equity schemes within the housing market was an essential element to the filling the commodity gap (E12) despite the recognition that this gap was widening. To this end the commodity gap was viewed as a major constraint on supply of affordable housing to the market (E23).

4.5 The implications for a tariff based approach as witnessed in Milton Keynes

So what does the data tell us about the tariff? Given the conceptual framework used throughout this dissertation, it is possible to merge the two data sets and understand the tariff within Cook and Whitehead's parameters:

- On *principles*;
  1. the Milton Keynes example circumstances appears unique in so far as there are limited landowners and the development is on greenfield land (A38);
  2. yet it has the potential to form a credible alternative to PGS on a national scale (A310);
  3. the rational nexus, however extended it may have become, is essential within any planning gain approach (A11);

- on *process*;
  4. the biggest monetary element within the Milton Keynes tariff, affordable housing, is sill negotiated (B38);
  5. there are still protracted negotiations involved in a tariff, they just occur before the tariff levy is agreed (B314);
  6. importantly the standardised payment, mirroring PGS, allows for certainty within the process (B310);

- on *outcomes*;
  7. if a tariff is unaffordable, developers will simply ignore it and land bank (C37);
  8. the impacts that a tariff will have on the housing market, particularly if the approach were to be adopted elsewhere, are problematic to predict (C38);

- *on conclusions;*
  9. certainty within the system of seeking contributions, whatever approach it may be, is paramount (D313);
  10. in the Milton Keynes example, partnership and collaboration between stakeholders is an essential aspect to the perceived success of the approach (D35);

- *on affordable housing;*
  11. the commodity gap is clearly a major constraint on supply (E23);
  12. shared ownership is a crucial element to fulfilling this gap (E12).

These findings provide an insight into some of the most important perceptions held by respondents from both data sets on the notion of a tariff approach within the sampled case study. With this in mind, it is possible to make recommendations in direct response to the research question posed in section 1.0.

Prior to this, figure 4.8 (below) provides a summary the 3 value capturing mechanism approaches this dissertation has considered.

Fig 4.8: The realities of the approaches…

Theme	Key questions…	Section 106 Agreements	Planning Gain Supplement	Tariff
Geographic	What is the spatial extent of the mechanism?	Site by site basis	Site by site basis with provision for regional infrastructure fund	Payment per dwelling with 50/50 split of funds between site and wider 'area' (not region)
	What type of land development does it cover? (greenfield / brownfield)	Applied to both greenfield and brownfield on a negotiated basis	Applied to both but unclear whether there will be special distinction to take into account the abnormal development costs involved in brownfield regeneration	In the Milton Keynes example; only used on greenfield sites. Has been used with limited success in Lambeth and City of London
Context	Is the mechanism suited to a particular context (i.e. housing pressured area, affordability requirements)	Mechanism used for all situations and can be tailored (i.e. in London 106 mirrors the mayors principle aims of 50% affordable homes, good transport funding and energy standards). The fact that it is a negotiated approach allows for the aims to be different in each set of negotiations.	Seemingly unsuitable for commercial development because of payment arrangements. Argued that the approach was developed with a greenfield model in mind. Applies to commercial and residential development	Appears to suit less complicated sites. As with PGS, it works well in Milton Keynes because development is occurring on greenfield land. Applies to residential and commercial development
Magnitude	What do the contributions fund?	106 contributions in cash fund numerous schemes which are in appendix A. Land in kind is typically used for larger schemes such as affordable housing, schools and medical facilities. Presently little money is procured for regional infrastructure unless on big schemes.	PGS funds everything included in 106 apart from affordable housing and site specific mitigations (typically associated with environmental mitigations). A regional infrastructure fund would take a cut of all revenues received to fund regional infrastructure interests	As with PGS, the Milton Keynes tariff approach does not include affordable housing and on site environmental mitigations. 50 % of funds are used for area wide infrastructure (Cant be considered regional)
	How much of total contributions are allocated to social infrastructure? (i.e. % makeup compared to total contributions)	Biggest contributions are typically for affordable housing. This is due to the policy priority it holds but also because of costs involved in acquiring land and construction of homes	Unknown due to lack of detail…would expect revenues to mirror what 106 attains due to policy priorities.	150% of tariff total spent on affordable housing.
	Sums of capital raised?	Negotiated and usually undisclosed.	Unsure as levy rate has not been detailed. TCPA call for no more than 20% of uplift experienced should be tapped.	£18,500 per dwelling plus land in kind plus negotiated affordable home provision. Typically totalling £55k per dwelling.
Instigators	Public or private sector?	Can be mutual depending on site specifics. Early negotiations ensure that all aims are known.	Government instigated insofar as it would apply carte blanche as a formal taxation.	Has resulted from partnership between LA, EP and developers who recognise the mutually beneficial outcomes.
	Is there scope for partnership within the mechanism?	Early negotiation is crucial to a smooth process. Partnership used in wider sense to facilitate development (i.e. Kent Thameside Delivery Board, Paddington Basin Partnership Board). 106 negotiations can occur within these organisations.	Yes as with 106. However the PGS levy would be more stringent and less open to negotiation thus partnership would apply too development delivery, planning and so on.	Partnership has been crucial in the Milton Keynes tariff. With partners and stakeholders in support of the tariff, development can progress as intended.
Payment	Sources of funding?	Payment of 106 rates is by developer however some of these costs, depending on the business model used may be deflected down to the landowner.	PGS levy paid by developer, but as with 106 some of these costs may be reflected in the price the developer pays for the land.	Paid by developer
	Means in which capital is delivered	Land in kind, cash, and on site development such as schools or GP surgeries. Payment phasing negotiated	Cash and in kind land. Payment made at the commencement of construction	Cash, in kind land and development of affordable housing in Milton Keynes example. Phasing split over development cycle with final payment being paid on the sale of the dwelling
	How is the funding administered?	Regular or one off	One off	One off phased payment
Delivery	How contributions are administered – publicly / privately / partnership?	Delivery is negotiated and differs by site.	Publicly	Publicly
	What is the typical programme of phasing?	Site dependant	None, on serving of development notice	10% is payable on the date of planning consent, 15% prior to building and 75% over the period of building.
	Is delivery off or on site?	Depends on provision. Developers prefer on site because they can construct what is agreed at a cheaper cost that paying another developer. This is outlined in negotiations	Depends on LA wishes but dictated by public sector and administered by them. Limited private sector involvement in on site provision unless specified	Again dependant on the site circumstance. Room for developer to provide on site facilities and receive a discount on the tariff levy.
Perceptions	How is the mechanism perceived by paper respondents?	Consensus would suggest that the approach is by no means perfect. Many have asked why government is not consulting on how to improve 106 as opposed to over hauling it. Importantly the respondents reiterated Whitehead and Crook research findings illustrated in section 2.0.	Mixed. Development industry and TCPA were against the PGSS approach. Surveyors and RICS associated respondents expressed an understandable pleasing for PGS. Main issue for all respondents was the lack of detail providing in the consultation paper. This is particular true of issues around site valuation. The role of the treasury was a worry for almost all respondents (in terms of centralisation, ring fencing of the tax etc).	Mixed. Many users in MK did not respond well to the approach due to its contrast to PPS3. Generally keen in principle however. Lots of issues around the transferability of the approach to more complex sites than Milton Keynes. Skills set shortage in delivering tariff elsewhere so requires very strong policy guidance.
Effect's	On the market	Market has become used to 106 approach and it has become integrated into developers business plans.	Unsure. Land banking a real possibility. Developers already pay CGT tax!	Is the market ready? Residual values may change as a result. This may take time to filter through.
	What is the effect on the speed housing delivery?	Process is typically slow and has been blamed for bogging down the system of housing delivery.	Could instigate land banking on the behalf of landowners which would limit the supply	Agreed that delivery will now be sped up…yet the approach has taken 2 years of negotiations to get to the point of agreement. Is that simply shifting where the delay occurs? Type of homes being built may become larger as tariff is paid per home – long term trend.
	What is the effect on the type of housing delivered?	Type of housing is determined by the market. Affordable provision is set at 30% in policy. Typically negotiable in terms of tenure and arrangements; but definitely a government priority.	Unsure. Many felt the mix and tenure of homes could suffer (TCPA).	The fact the tariff is paid per dwelling may mean developers will favour larger homes where tariff payment will be less. This goes against policy however so may see a degree of land banking.

5.0 The key recommendations

5.1 The key question

The research question for this dissertation seeks to understand the credibility of a tariff as an alternative approach to current arrangements, and what the likely impacts would be on the supply of affordable housing in the case that it were to be adopted.

The analysis has clearly demonstrated a broad support amongst respondents and consultees for a wider debate on the merits of a tariff within the planning system. To this end there are 3 identifiable questions which can help determine the viability of a based tariff approach elsewhere, they are;

1. Will a tariff speed up the delivery of homes, particularly affordable housing?
2. Will a tariff provide more levels of suitable infrastructure than current arrangements?
3. Will a tariff maximise income to match, or exceed, existing takes?

In light of the dissertations work, these questions help to inform a set of recommendations on how a tariff should develop.

5.2 Will a tariff speed up the delivery of homes, particularly affordable housing?

An attraction of the tariff approach, as with PGS, is the apparent certainty that a standardised levy provides developers. Whilst this is true it negates the fact that extended negotiations are still required to agree a levy rate for individual infrastructure pieces. The fact that affordable housing is excluded in the Milton Keynes example is for the very reason that developers have the potential to save significant sums of money by negotiating that element of contributions. So despite the levy arrangement, negotiation is still required on each development for affordable housing and on site environmental mitigations.

The initial negotiation stage to any tariff is clearly another important element that relies on only one set of discussions, in contrast to section 106 agreements which are completed on a site by site basis. The tariff presents the paradox that on the one hand a levy has the potential to cover significantly larger areas of land than 106, but that the development relies on the agreement of one set of negotiations, something that is not guaranteed. This is important because, as we have seen with PGS, if the development industry becomes hostile to any levy of a tariff they will simply land bank and wait for more favourable political investment climates.

To this end it seems that the success of a tariff relies on developers, the local authority, landowners, community groups and regional/agencies to be involved in dialogue at the earliest possible stage to provide consensus. Within the Milton Keynes example, despite the lack of multiple landowners, a clear consensus exists amongst stakeholders who share a similar vision for an area. In such a situation the role of individual actors and the networks they operate within are crucial. Collaborative groups such as the Milton Keynes Partnership, an initiative between private and public bodies are a crucial element to fostering such networks.

So whilst negotiation is key within the tariff approach, if it occurs in the correct and optimum environment that can foster consensus, then the delivery of homes to market will almost definitely be increased as the approach limits the need for extended site by site negotiations as per the current arrangements.

5.3 Will a tariff provide more levels of suitable infrastructure than current arrangements?

Clearly an attraction of the Milton Keynes tariff is the political level that it operates within. It is argued that the approach, based at the city level rather than the region, is the most appropriate scale at which to determine the needs of the area. In providing a citywide fund for non site specific infrastructure (which represents 50% of the total take from the levy), the tariff still retains a large element of the levy revenues bound at the site level, thus keeping an element of the rational nexus, whilst providing a strategic fund to finance larger projects such as hospitals, roads and regeneration.
The fact that the revenues are ring fenced is essential to developers as the contribution made has the potential to enhance the attractiveness of the development completed by the developer. To this end the tariff can be seen as mutually beneficial.

Yet could a tariff or even any mechanism defer enough money from individual development on a nationwide scale for strategic infrastructure such as motorways, rail lines, regional hospitals and so on? The perceptions held within this study would suggest not. Clearly once enough of the local link between a development and a contribution from that development has been lost, developers begin to retract from the market and land bank. Yet this exposes deeper issues around the role of the state. As David Lock (2006) states in TCPA, government should not be bent on demanding that large infrastructure projects be financially independent. In his opinion, government must take an active role in subsidising part of these schemes. This appears to be a belief shared with the development industry.

A crucial element to this debate is not simply the level of infrastructure provided, particularly at the site level, but the question of phasing. A crucial reason for the PGS consultation was to understand how contribution payments could be phased so that infrastructure would be in place before or at the point when development is completed, not after. The notion of I before E (Infrastructure/Expansion) is important in building successful communities whom are not isolated or fragmented by the lack of infrastructure. In the Milton Keynes example English Partnership (EP) acts as the forward funder providing credit to pay for infrastructure. Whilst this isn't an option for a national tariff, private finance has been invited to consider the merits of assuming this role in any .future tariffs by EP.

So any tariff appears to need to be fully supported by central and regional government, with the possibility of subsidy for big infrastructure schemes, the revenues raised must be suitably ring fenced to ensure participation on behalf of the developers and finally, the tariff must have a forward funding mechanism so that infrastructure is not invested in new communities after they have begun to operate.

5.4 Will a tariff maximise income to match, or exceed, existing takes?

As stated in the analysis, a crucial measure of any new approach to gaining contributions must be the degree to which it can match or exceed the revenues raised by its predecessor. In the case study the Local Authority believed that the revenue take from contributions had increased three fold when compared to section 106. How much of this is down to the unique circumstances of the Milton Keynes context is unclear within this qualitative study, but there can be no doubt that with strong policy guidance, partnership between agencies and actors, and a fair local levy, a tariff approach has a very real potential to raise more revenue than section 106.

5.5 And what of the implications for affordable housing?

The implications for affordable housing appear limited. Despite the fact that a tariff approach ostensibly runs contrary to housing policy, affordability within the market is a high profile policy issue within planning. Whilst a commodity gap exists within the market, a policy priority will always be placed on contributions to provide affordable homes. If anything, policy must become more sensitively stringent so that developers have less room to manoeuvre out of affordable housing responsibilities, whilst still developing land. As section 2.0 demonstrates, some of the shortage of housing within the UK is attributed to a shortfall in the quality of housing policy.

5.6 A tariff: the preferred option -

In suggesting that a tariff approach presents a viable alternative to current arrangements in capturing value uplift from development, it is possible to make a series of recommendations on the features any eventual tariff:

1. A sound tariff should be rooted in strong policy guidance which identifies infrastructure needs within a Local Development Framework (LDF).

2. Strong collaboration between private and public stakeholders is essential in facilitating consensus on the aims and details of a tariff. In involving multiple stakeholders, a tariff becomes increasingly transparent and accountable.

3. A tariff payment, in providing certainty for the development industry and housing supply, should endeavour to include all elements of infrastructure, including affordable housing. This must be complimented by a realisation from government that strategic infrastructure may require subsidy.

4. The tariff levy should be set at an appropriate spatial scale, as in Milton Keynes. Yet the levy must be deemed reasonable by a central government agency.

5. A tariff should retain as much of the rational nexus as feasibly possible. Contributions sought from development should be primarily spent in the locality they were raised. Redistributive strategic funds should be integral to the approach, but this element should not detract from the overall effectiveness of the tariff to deliver infrastructure locally.

6. Government should clarify the position of section 106. It must either be scrapped or used in very tightly controlled parameters so that developers do not land bank because of unreasonable policy requirements.

7. A tariff should have a time span with regular review. This review, much like current UDP/LDF arrangements, would allow for a reaffirmed consensus on the vision for a community.

A tariff approach is something that is clearly not definitive. Yet this dissertation has demonstrated some of the fundamentals that are required for the approach to operate successfully. Given the hostile reception the PGS consultation has received, it will come as know surprise to this researcher if the government seriously considers a tariff as a credible alternative for seeking contributions from developers to pay for infrastructure such as affordable housing.

6.0 Research conclusions

This study has demonstrated through interviews with stakeholders in the Milton Keynes example, that a tariff approach to seeking development contributions is a feasibly option for future planning systems in England. In doing so it has also highlighted the perception that the issue of affordability within the housing market is a larger issue than simply planning gain.

These conclusions contribute a small element to a substantial body of existing literature on how planners seek contributions from development. Yet this work begins to ask questions noticeably absent elsewhere on the viability of a tariff based system itself. Such is the attention placed on PGS, as this paper has noted, there appears little room to consider alternatives. The hostile reception that PGS has received in its consultation phase may mean that a wider debate now begins to emerge on credible alternatives. What is clear from this study is that the individuals within the development industry and stakeholders with direct experience in the application of a tariff would support wider dialogue on its use elsewhere. Further study is required into the intricacies of how a tariff could work elsewhere given the broad support demonstrated here.

From the aims of the dissertation it is clear that a more efficient system is required to deliver affordable homes to the market. The tariff, in the eyes of respondents, would not adversely affect the supply of affordable homes as supply it is bound within wider issues of policy priority. Planning gain is only a small segment to a much larger problem on the supply of affordable housing to the market. By this virtue, it can only be part of the solution.

4.1 Methodological issues

This study has used primary and secondary qualitative data in presenting an argument for a tariff system. As an aim of the study it has allowed for the experiences and perceptions of stakeholders to emerge. What it does not examine is an understanding on the monetary economics and quantitative element to the tariff approach. Clearly this is an important aspect of the argument for or against the mechanism and constitutes a necessary further avenue of enquiry for the literature.

In using Milton Keynes as a case study, the dissertation was able to contextualise a general approach within planning using a detailed example. Yet it only considered one example when the English planning system is beginning to exhibit versions in Northamptonshire and Ashford, along with previous attempts in Lambeth and the City of London. Any further extensions to this dissertation should endeavour to consider the application of tariff approaches within these examples in a comparative form. This absence of other examples in this study was because the author held suitable contacts within the Milton Keynes example to collect the data necessary, not elsewhere.

The data collected has depth and breadth. Yet the primary data does not include anyone from the development industry directly. Developers and landowners all declined to discuss the tariff pointing the author towards the BPF consultation document presented to the ODPM. To this end the study relies only on the opinions of people who work in the industry alongside developers, not the organisations that have to pay the contributions this study has considered. Yet rather than representing a negative aspect to this work, this author would present an optimistic case that this study has laid the foundations for further work with developers and landowners in the case study example.

The method used within this dissertation is also open to criticism. The use of Dey's technique of transcription and categorisation, whilst presenting a huge body of data, is time consuming. The generation of so much data in itself was a problem for this author who struggled at times to see the holistic picture that the data represented. Whilst the technique produced a high level of detail, both the time and word limits placed on this dissertation meant that the data's findings have not comprehensively been represented after the flow models in section 4.0. The technique of ranking responses in terms of count, assumed to be a measure of importance, meant that valid minority issues were not discussed in the analysis. This was simply because of the amount data collated compared to the resources available to process the information. As before, this is not a negative aspect to the dissertation, rather an avenue for further study.

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8.0 Appendix

Appendix A.

Full Section 106 obligation typology:

Affordable Housing:

a. On site provision of various tenures {social rented, shared ownership, key worker and so on}. Units developed and transferred to a registered social land lord: revenue from transfer depends upon agreement
b. Off site provision: land transferred to a RSL of local authority fgor free or a rate well below market value
c. On site provision of land only
d. Off site provision of land only
e. Commuted sum: payment of a sum in lieu of actual provision of units
f. Other affordable housing contributions

Open space:

a. Provision of open space either within a development or as a direct payment to the LA.
b. General environmental improvement
c. Ecology and nature conservation, countryside management and community forests
d. Allotments
e. Sports facilities

Transport and Travel Schemes:

a. Traffic/highway works, temporary or permanent
b. Traffic management/calming
c. Parking: management or parking restrictions, car restrictions and care free areas
d. Green transport/travel plans
e. Public and local transport improvements
f. Pedestrian crossings, pedestrianisation and street lighting
g. Improvement to pathways
h. Cycle routes, management, safety

Community works and leisure

a. Community centres: construction, funding, improvement etc
b. Community/cultural/public art
c. Town centre improvement
d. Library, museum and theatre works/funding
e. Childcare/crèches facilities, provision and funding
f. Public toilets
g. Health services
h. CCTV
i. Waste and recycling facilities
j. Religious worshipping facilities
k. Employment and training
l. Local regeneration initiatives

Education

a. Schools: development or funding for education at all levels

{Source: DCLG, 2006, 9}

Appendix B.

The scope of planning obligations under the PGS approach:

a. Onsite landscaping
b. On site roads and traffic calming
c. Access road
d. Open space
e. Mix of uses
f. Mix of housing types
g. Flood defences
h. Street Lighting
i. Phasing and timing of development
j. Landscaping
k. Design coding
l. Environmental improvements
m. Operational effectiveness

Source: Hewdon Consulting {2006}

Appendix C.

The inter view process was based around the research aims presented in section1.0. As such the structure of the interview was to broadly follow the following layout:

5. Review the *principles*, *processes* and *outcomes* of the current **negotiated** system for seeking monies from development;

    a. What do you think of the s106 as an approach?
    b. Where do feel weaknesses exist?
    c. Do you think a change is required?
    d. How could it be improved?
    e. How does it deal with the delivery of affordable housing?

6. understand the standardised **valuation** system suggested under the planning gain supplement {PGS} proposals promoted by the government;

    a. What are your understanding of the PGS process?
    b. Where do you stand in terms of the consultation?
    c. What are the positives and negatives of the approach?
    d. What would you liked to be changed in the proposals?
    e. Are there any underlying messages for planning in the PGS proposals?

7. understand their perceptions of the tariff approach and its merits as a credible alternative to S106 and PGS in its ability in delivering affordable housing to the market;

    a. What has been your experience of the tariff?
    b. What are your perceptions of the approach?
    c. Can it compliment, work alongside or replace s106?
    d. Is it a credible alternative to either s106 or PGS?
    e. How does it deal with the important issues of affordable housing?
    f. What are the delivery rates on affordable housing?
    g. What has the reaction been to the tariff within the industry?
    h. Could the remit of the tariff be spread both geographically and in terms of infrastructure sought?
    i. How do the outcomes of the tariff compare to the other two respective approaches?
    j. What are the weaknesses in the tariff approach?
    k. How could the tariff approach be improved?

NB: These areas of questioning were all covered in the interviews. Yet in accordance with Key {1991} and the grounded theory approach, the interviews were principally led by the respondent as the researcher wanted to extract genuine credible data as opposed to coaxing respondents into certain answers.

APPENDIX D

A summary of the interview data and ODPM evidence based on Crook and Whiteheads framework:

4.5 On the principles…

Whilst there was a general agreement that the tariff could be used elsewhere (A310), in the case of Milton Keynes, many point to the unique set of circumstances that the city faces. Professor Hennebury argues that there are a limited number of stakeholders within the case study, the development is all on greenfield land and that there is a consensus of support of the tariff which means it is easy to implement. As such Hennebury casts doubts over its applicability elsewhere.

Crucially the tariff receives government support:

'…think the tariff approach being developed in Milton Keynes, which effectively is a version of a section 106 agreement, has great potential' Cooper, Q514, YC.

The approach was seen as a mechanism whereby transparency could be injected into a process which has traditionally been conducted behind closed doors, (A34) even if it still partially breaks the rational nexus discussed in section 2.0 (A37).

'…the use of a transparent approach is actually not a bad idea…' 16, .

Respondent scepticism appears to lie at the door of the rational nexus within the three respective approaches. These sentiments typically originated from members of the private sector, representing developers:

'If you look at the so-called shopping list, contributions are starting to pay for things that the local authority has always paid for. Where are council taxes going? ' Respondent 2, Q 39, MK

'We are now being forced to negotiate provision for clients on things which have no link to the site at all. I think this is just a change in mindset more than anything…' Respondent 5, Q18, DLA

PGS was widely criticised for breaking the local link within the contributing process as discussed in section 2.0, this was seen as a major threat to a tariff success outside Milton Keynes:

'If you break that link (the nexus)*, if local authorities cease to receive back the full benefit arising from the development that has been done, they are going to be less inclined to favour the development'* L. Peace, Q 35, MK.

The TCPA still attempted to place some emphasis on the role of site mitigation within the whole process, but conceded that the nexus within all approaches had been broken:

'There needs to be some local gain for the local pain…' Amos, Q3, MK

The *local* element to the tariff debate was seen as crucial and manifest in reactions to treasury control of the PGS finances:

'For me assessing the exiting system before moving forward with new proposals is something that we should all be involved in and shouldn't be decided by the treasury'. J. Respondent 1, Q1, JW

'…the treasury controlling some of the powers of planning is bound up in the wider issues of where government control…' Respondent 1, Q2, JW

Embedded within these debates was the notion of redistribution. Whilst most agreed that redistribution to other less prosperous areas was inevitable from funds raised by either PGS or the tariff, the anticipated figure was highly contentious. As with

PGS, many felt this had the potential to be a problematic area for the tariff if applied elsewhere:

'We see the need for that (local) *link but we do not see that as being incompatible with some degree of redistribution…' MacDonald, Q22 MK*

'We think that some mechanism must be found to redistribute… in those areas that are in need of infrastructure, because infrastructure helps to make markets and to shape markets in areas where markets are not working very well, will not receive the benefit…(of PGS or a tariff)' MacDonald, Q2, MK

'..clearly it is important that there is a small degree of redistribution…' Amos, Q3, MK

The acknowledgment of the need for redistribution was grounded in the wider belief that all approaches were based on the health of the market:

'Places like Oldham… will always loose out in these circumstances because the developers cannot physically contribute as much cash because of profits and the state of the market' Respondent 4, Q18, NB.

A simple test of both the PGS and tariff was the question of whether the respective approaches would raise more revenue, quicker than S106. Milton Keynes council was quick to point out that;

'…the tariff, increased roughly three-fold the amount of contribution from development (over 106)…' Mr Best, Q96, MK

All parties perceived the element of certainty within the process as fundamental.

'If this scheme is to work then one of its attributes must be certainty for the development industry.' MacDonald, Q16, MK

'…the certainty of knowing that a fixed payment will deal with the majority of contribution costs and will deliver a quicker permission is gold dust.' Respondent 5, Q 25, DLA.

'…as it allows for certainty within the system for everyone involved.' Respondent 4, Q53, NB

'…political certainty is crucial…' Respondent 3, Q15,TD

Yet Respondent 3 correctly points out;

'…you've got to remember that many developers make money out of uncertainty and speculation. By reacting it gives them a competitive advantage.' Respondent 3, Q13, TD.

On affordable housing, it was noted that its absence from the tariff could form a base from which to undermine this certainty that has become one of the endearing features of the approach (D312).

Crucially there appears a general consensus that the principles of the tariff work well and are commendable. Contrasting opinions are seen in the processes of the tariff approach,

4.6 On the processes:

The tariff process is rooted in notions of transparency and certainty as discussed. Importantly, support from stakeholders within a defined geographic area (B311) was perceived to facilitate consensus (B38). Yet procedural problems exist which were viewed as hindering the applicability of the tariffs transferability.

The fact that the tariff appears to be based on greenfield model caused concern (B32). Common to the PGS, respondents felt it failed to deal with particular specifics associated with brownfield development such as contamination, clearance and other abnormal costs:

'The point we are making about being based on a greenfield system is that this is not the way that the majority of development takes place…' MacDonald, Q7, MK

This is particularly true given the government's target of 60% brownfield development. The perception was generally rooted in the economics of development:

'I think the risk is that you would have unviable brownfield schemes…because the viability is marginal at best.' Armstrong, Q47, MK

English Partnerships role as forward funder to the tune £8 million within the tariff was viewed as crucial (Respondent 4, Q5, MK. Best, Q100, MK). Interestingly Respondent 1 stated that private finance is interested in this role as long as the returns are viable (Respondent 1, Q17, JW)`

Despite the standardised payment offering certainty to all stakeholders, Respondent 2 highlights that the tariff rates in Milton Keynes were subject to lengthy negotiations before the approach was adopted. The implication was that the negotiation period had simply shifted when compared to S106.

'These tit for tat talks were just about the principle of what should be in there… After protracted negotiations agreement was reached, in the usual <u>*public*</u> *sector fashion, they then had a second round of talks to discuss what the costs would be.'* Respondent 2, Q11, DLA.

The fact that the tariff business plan had to initially decide what would be included within the tariff and then subsequently how much each item included would cost took a considerable time and resources.

The one off payment which has become the hall mark of the tariff was also considered seriously flawed by Respondent 2 who noted that a payment per dwelling logic ran contrary to the aims of PPS3 density targets.

The local agenda again surfaced in so far as respondents felt developers could potentially feel none of the benefits of their contributions because the monies were spent elsewhere:

'Why would a developer pay the monies in the knowledge that his of her development may receive non of the benefits from that infrastructure!' Respondent 5, Q14, DLA.

For the British Property Federation this proved a major issue under PGS predicting development rates could dry up as a result (Peace, Q65, MK). In supporting the tariff they maintained that this danger should be avoided.

Mr Best explained that the tariff is a split mechanism with roughly 50% of the monies spent on site with another 50% spent elsewhere within the borough. Abnormal development costs would be deducted and payments would be phased as outlined at the beginning of this section. Respondent 1 explained further that the tariff is split into 3 tiers (B36):

'The first is the standard fee per dwelling of £18,500. The second is free land which the developer may contribute and the third is the delivery of affordable housing to the levels defined by policy' Respondent 1, Q 6, JW

Crucially, affordable housing is not included in the tariff system. An important reason was the cost of affordable housing provision. Mirroring the work of Monk et al in section 2.0, Philips claims that the affordable housing provision for many of the firm's schemes is 150% of the tariff charge. This, she maintains, puts the tariff into perspective, as affordable housing is where developers can potentially save considerable amounts of revenue through negotiation. Interestingly this was countered by Respondent 1 who maintained that the affordable housing rates where set in policy and could not be manipulated (Q6, JW). Yet Respondent 2 stated that the hard-nosed negotiating power of developers could shape the provision of affordable housing to fit their business model (Q27, DLA). To this end the tariff suffers, in part at least, from the similar negotiating problem that S106 displays.

Despite these criticisms, the fact that negotiations are limited to affordable housing once the tariff is agreed undoubtedly increases the delivery rate of homes to the market (B320). In summarising the processes of the tariff Respondent 3 asserts that Government should get away from a notion that a tariff is a simple approach:

'...government must understand that this process takes time for a reason, part of that is inefficiency granted, but part is because it cant be rushed...EIA's, CBA's and all the rest have to be done ...Government is trying to tackle a long term housing issue it bought on itself over night. That wont work and wont happen!' ,Q14 TD.

4.7 *On the outcomes:*

Clearly total contributions sought through the tariff are significant (C31).

Interestingly the private sector appeared to acknowledge that developers were knowingly paying inflated prices for infrastructure under the tariff. Yet in the words of Respondent 5, *'time is money'* where negotiations represent a significant cost to a developer, potentially more than the up front costs of a tariff. Whilst the trade off is clearly delicate, developers believe they are saving money by bypassing extended negotiations with local authorities (Respondent 5, Q26, DLA).

Crucially, Respondent 3 demonstrates some of the economics within the tariff. In using a residual approach, Respondent 3 states that

'...a tariff has to be sensitive to the residual value of a site so as not to impede development. A big question is whether the market is prepared for the tariff?' Q15, TD

If applied elsewhere, Respondent 3 would not be surprised if the tariff adversely affected the market in the fact landowners in the current climate may have paid the 'hope value' for a site as opposed to the true, or potential residual value. In this circumstance it is unclear how long it would take for the true book value of the site to be fully realised (C38). Crucially, if any tariff became unaffordable, Respondent 3 predicts it would be ignored, as was the case in the borough of Lambeth (C38)

4.7 *On the conclusions:*

Most respondents commented on the inability of any approach to fully meet the infrastructure needs of many areas (D31).

It was clear to many that the tariff and PGS shared similar aims:

'...we should also recognise the positives of what both these approaches are trying make, namely speed up the delivery of housing whilst providing infrastructure. Where they differ is in there approach... ' Respondent 1, Q 20, JW.

On the tariff there was a broad conclusion that it had the right idea:

'...developers get a good deal from the situation. The time to consent is dramatically sped up, EP and the council get there money which I think is more than under 106 and with the forward funding, infrastructure is going into places before people move in...' Respondent 4, Q5, NB.

'...the tariff allows for a streamlined quicker process which gives certainty to the industry....A scaled down 106 process still makes the whole procedure a lot faster. This is a good thing...' Respondent 5, Q 44, DLA

Importantly partnership and consensus amongst stakeholders was viewed as crucial in the tariff's success in the Milton Keynes example (D35):

'...(It is) *very much a multi-agency approach where Milton Keynes Partnerships is working with all the partners to put this programme together...'* Hamilton, Q120, MK

'...The treasury, ODPM all the way down through the layers of stakeholders are all committed to this approach...' Respondent 4, Q3, NB.

Consensus is crucial, but so is direction in the eyes of Respondent 3. Speaking of his experience with the Lambeth tariff he maintains that local authorities with poor policy that hold unrealistic expectations of the private sector will perform poorly.

'Local authorities are not good at understanding commercial needs…' Respondent 3, Q9, TD.

'A set of planning objectives which take you somewhere you know you want to be as a local authority is important.' Respondent 3, Q 11, TD.

Such sentiments were the product of a realisation that the developer's bottom line is the most significant factor in the process:

'..these developers are plc's, there bottom line cannot change. As we've said the housing is a commodity.' Respondent 5, Q29, DLA

Although a skills set shortage was acknowledged by Respondent 1 within local authority, he too maintained that strong policy guidance was the root issue to a successful tariff:

'Strong guidance can solve a lot of these issues. I maintain, as when we discussed the local skills set, that local authorities should be integral to this process. It should not be about reversing localism..' Respondent 1, Q20, JW

Governing tiers was an interesting feature of the data collection. The regional strategic element implied both in PGS and the tariff appeared to represent a wider agenda for many, typified by Respondent 3:

'(definitely) *erodes some of local authority power base…*

DM: An erosion of localism?

TD: Yeah definitely. Importantly though priorities differ at the regional and local level. The two diverging aims must compromise' Respondent 3, Q 19, TD.

The fact that the tariff encourages local authorities to build a spatial investment plan was another major factor in support of the approach. This is fundamental for Respondent 1:

'We have connected a vision for an area with a spatial investment plan which aims to deliver on the planning vision' Respondent 1, Q12, JW.

A clear concern within all approaches was the distinction between planners purely as planners on one side, and revenue generators on the other. The incentivisation of planning gain approaches was seen as a factor that taints the objectivity of planners. Yet Respondent 3 rightly notes that:

'…there are moral hazards... Really though the distinction between planners and planning permission as a means to gain cash has been implicit for years. I guess the reaction to PGS has been big because it made it formal and explicit…' Respondent 3, Q18, TD

Crucially, the scope for the tariff to be utilised elsewhere was conflicting. Mr Tugwell, Professor Hennebury and the consultants from David Lock Associates felt the tariff was suited to the needs of Milton Keynes, and those circumstances were unique. In contrast Mr Respondent 1, Respondent 3 and Respondent 4, despite representing parties with a clear vested interest in the tariff approach, demonstrated excellent arguments for the approaches viability elsewhere (B34). The principle attractions to the approach are the procedural benefits outlined previously.

4.8 On affordable housing:

Mr Dixon of the Housing Association noted that the cultural shift toward home ownership meant the onus was on his organisation to meet the chronic affordability gap in the market (E42). Yet he remained frustrated with what he perceived as the under funding of an issue with critical importance (E11). Despite the findings of Crook and Whitehead, Mr Dixon stated that supply of affordable homes was increasing, but in line with the culture shift the Housing Association was now entering into more shared equity schemes (E18, E32). Yet in the Milton Keynes example, Respondent 2 implied that the housing needs study due for publication in September 2006 would advocate a move back to traditional provision of social housing as the commodity gap diverges yet further in the town (E44).

The hurdle of the commodity gap within the market is compounded both by the deficiencies in planning system itself and the supply of land for development in Mr Dixon's opinion. Mrs Ford, the Chair of English Partnership, reiterated these barriers. Consequently, Mr Dixon urged the ODPM to push for greater planning permissions on RSL's and Housing Association sites to meet demand.

Puton notes developer's apparent willingness to accept policy targets for affordable housing with little negotiation, despite the worry over its effect on the tariff process. He attributes this to the nerves exhibited by developers who fear policy will only get tougher and resemble the Mayor of London's 50% target for affordable housing. To this end it was predicted by most that the supply of affordable housing would not be hindered by the tariff because of the high priority placed on such provision by policy.

ANNEX 1

Interview Data:

Appendix D is split into sheets to present the interview and ODPM data. The sheet references and question numbers within the sheets correlate with the quotations given the in research paper.

The red references in the text correlate with the category codes presented in section 4.0 as figs 3.1 to 3.6.

Sheet JW
Interview with respondent 1.

JW: Respondents 1
DM: David Morris
Location: Phone conversation.
Date: 86th July 2006, 5.30pm
Interview recorded
{.} = pause
__ = phrases that are stressed
{{ }} - descriptions

DM: Hi, thanks for taking the time to speak to me, I know your busy and off on holiday in the next few days. Getting straight into it - the study is looking at the Milton Keynes tariff as proposed by the partnership. I want to understand how it works, what people think of the mechanism, whether it can be used elsewhere and how it compares to both 106 and the planning gains supplement {.} This is the major jest of the work.

1. JW: Well I think it's probably worth considering that the tariff idea came out at the same time as the Barker review and was, to a degree I guess, overshadowed by it. Kate and the government where right to say that the existing system had serious problems which needed to be addressed to up the number of homes being delivered. {.} Where I think she failed, and we've talked about this at great length together, is that there was never the full scope to say 'How can we improve what we have?'. A total overhaul of the system seemed to be the only option that her review would consider. I thought, and still think now, that that was wrong. We have a system which people are getting used too and it provides a lot of money in areas of prosperity. There should have been a consultation on how to improve the 106 system. That is where the process should have started from but instead it began from the pretence of already deciding that the system requires an overhaul. For me assessing the exiting system before moving forward with new proposals is something that we should all be involved in and shouldn't be decided by the treasury. **D16, B12, B16**

DM: So where do you place the tariff within this circumstance?

2. JW: Well I suspect that if the tariff had been better developed the Barker review would have had to have taken it more into account as an alternative to her proposals. She has said to me in private that there is no answer why the review didn't consider improvements to 106. {.} PGS clearly embodies a wider remit for the government. I should know I used to work for them! {{laugh}}. The idea of capturing uplift values is something that is generally not contested these days, but the fact that this will now be entirely centrally controlled with government and more importantly the treasury controlling some of the powers of planning is bound up in the wider issues of where government control should lie and who should have the principle influence over development in the UK. In both cases it seems the treasury is the preferred choice. {.} The option of PGS contrasts the tariff in so many areas. For me the most important advantage is that it is transparent. Developers know there they are with it, that they have a guarantee on their sites. **A24, D24, B31, D313, D11**

DM: Yes it has been suggested to me in discussions over the linkages between developers and the locality that its very important for the developer to demonstrate the local community and planning authorities that it is socially responsible, it can be trusted etc. That has to be major plus point for the tariff?

3. JW: Definitely. That is one the biggest attractions to developers. That combined with the certainty over infrastructure provision that the tariff creates. **A33. B34,**

DM: Can I ask about the infamous list for the tariff which includes all the items to be included under the tariff. It includes a lot of items! Is that a fair point?

5. JW: Well it is lengthy yes but I don't think it stretches the system too far. Guidance in circular 05/05 introduced the idea of pooling costs for strategic infrastructure and I think that the tariff in Milton Keynes is an example of that. The best example I cite when I'm asked this question of the university in the city. I think it's a natural want of any city the size of Milton Keynes. HE is essential to the growth of the city, but how you pay for it under current 106 guidance is very hard. The tariff bypasses much of that and provides this holistic element to funding that is lacking in many areas of planning, including 106. **B316, B113**

DM: Can I ask about the position of affordable housing? It has been put to me that like PGS, affordable housing is not included in the tariff and is subject to the familiar process of negotiation that we have under s106. If so doesn't that somewhat undermine the efforts of the tariff given the large proportion of contributions that are used for affordable housing?

6. JW: No that's not how it works. The tariff is split into 3 parts. The first is the standard fee per dwelling of £18,500. The second is free land which the developer may contribute and the third is the delivery of affordable housing to the levels defined by policy from the local plan and SPG. The weakness in the Milton Keynes example is the fact that the housing corporation failed to make a commitment to strategic funding. If they had committed funds then there would have been more cash to support the developers contributions in these areas for the long term. **B36, B317**

DM: Ok {.} So just to clarify the position. Your saying that affordable housing targets are non negotiable but simply in line with the policy. Additionally your saying that the housing corporations non commitment in terms of funding to the long term viability of some of the affordable housing targets is in doubt?

7. JW: I'm saying that the housing corporation may have lost out on the opportunity to gain the most from the tariff because they do not have funds in place to 2016 which is when the business plan expires. In terms of policy, the targets are agreed within the business plan and they have been negotiated, but formally, they are included and agreed before hand… **B317**

DM: So there is still the negotiation process on housing it just happens before the tariff agreement is signed. Surely this means that it still the same process as 106 its just happens at a different time with a different name?

8. JW: Only to a degree. It is based on the negotiations which{.} Whilst I have it my head it is important to mention there is only a discount within the tariff for abnormal development costs, not anything to do with affordable housing, that is treated as totally separate in that sense. **B312**

DM: You have mentioned the certainty that the developers feel they get from the tariff, this is clearly important?

9. JW: Very much so. The tariff has a direct and positive effect on infrastructure provision and confidence within the industry and market. This is the opposite to PGS which will have no direct link in local confidence as the control of cash is centrally directed. {.} On PGS I know you mentioned in your emails that you had read my articles in TCPA. The main worries I have over PGS is how the money will be collected and how much cash it will actually raise. The principle is great and as you have suggested, shares the same aims as the tariff, but I'm sceptical over the notion of valuing sites. PGS has got to show that it delivers. The consultation process has been very light on detail and in doing, has people to believe in PGS before they know the full extent of its detail. **D313, A33, B22, C21, B215**

DM: What about 106?

10. JW: Well I was sceptical about that too! So what do I know I guess! It clearly has many merits but lacks the strategic angle to provision which is so important these days.

This is the biggest problem with s106 and I think that the tariff in Milton Keynes addresses that issue. **A16**

DM: On that note, I wanted to ask what you thought about the transferability of the tariff to other areas? Is this possible?

11. JW: Why not? I don't see any reason why not at all. **A310,**

DM: Well I ask as many have said that the circumstance in the town is very unique. Professor Hennebury at the evidence to the ODPM on the tariff suggested that because it was greenfield land with only a handful of landowners, the numbers of people involved in the negotiation process are small and thus, the whole process is easier.

12. JW: Well I don't really buy into that argument. Planning has traditionally always lacked a decent spatial investment pan built on the visions of planners for an area. So anywhere that wants to develop needs an investment plan, that is all we have done. We have connected a vision for an area with a spatial investment plan which aims to deliver on the planning vision. **D36**

DM: What about the tariff being a stop gap between s106 - PGS transition if, as it seems likely, the government will push ahead with their wishes. I also wanted to ask whilst its in my head about the potential for a hidden agenda within the PGS which could also be used in the tariff, namely that local authorities simply don't have the ability and staff to deal with these complex issues. PGS and the tariff simplify this? I don't know what you think?

13. JW: Well clearly it depends on how you interpret the tariff, It wasn't designed as a stop gap. It was conceived at the same time as the Barker review. The skills set which you have discussed at the local level is a real problem. But I think that this reform should be used as an excuse to improve the skills set in councils, not a acceptance that they will never be any good. Its not acceptable simply to turn our backs on these people who are clearly over worked and under funded. We should be investing in these people to raise their game. **D314, A24**

DM: Integral to this idea of the skills set is the idea of costings within the business plan. Is it not the case that the costings could be wrong?

14. JW: Costings always change and are only as good as you set them. I accept that there is a real danger that those may not be spot on but that is something that is not unique to the tariff. **A36**

DM: True. Is it fair of Jane Hamilton to say, on a wider note, that the tariff or whatever other mechanism we use will not deliver all the infrastructure required as the private sector cannot physically take on all that load. I remember her speech at the Labour Party Conference when she said that the council still spends a significant amount of time and money bidding for funds from central government and Europe.

15. JW: Yes she is right in the sense there is the issue of meeting gaps in funding between what developers can pay and what is needed. That is something for central government in my opinion however. **D31**

DM: What about the forward funding role of EP?

16. JW: Well there will always be the need for forward funding from EP whilst the scheme is set the way it is. **D33**

DM: Do you think that is a draw back?

17. JW: Not from my point of view no. I think it work in Milton Keynes and might not work elsewhere. It requires EP's support but that's not the end of it. One element we are looking into is the use of private finance to forward fund infrastructure and take a portion as interest. This has been accepted in principle but you can guarantee that when the treasury see the rates of returns investors require, they will become more edgy about it. That will be an issue but not enough to kill it. **D315**

DM: So private finance is interested?

18. JW: Definitely. They are looking at the scheme with a lot of interest. **B318**

DM: Do you think there is room for a PGS and the roof tax to sit along side 106 in different areas?

19. JW: I think their needs to be that option. I don't see the point of bulldozing the work we have achieved in Milton Keynes to make way for PGS. That is true elsewhere too. But I think we should also recognise the positives of what both these approaches are trying make, namely speed up the delivery of housing whilst providing infrastructure. Where they differ is in there approach, as we know {.} The reasoning behind looking at change within Barker is fine and warranted. **D316, A312**

DM: So if they can co exist if you want to call it that, how do you envisaging them working?

20. JW: Well the biggest element to this is that both approaches comply too a set of rules or guidance that must come from London. Strong guidance can solve a lot of these issues. I maintain, as when we discussed the local skills set, that local authorities should be integral to this process. It should not be about reversing localism. Whatever approach is used, local planning authorities should grab the chance to take the initiative and get on with things with a degree of autonomy. **D317, B34**

DM: Like you have in Milton Keynes?

21. JW: I guess so yes.

DM: I think these sorts of issues tie in nicely with the review of local government and the redefined role that is has to play in planning with the emergence of the region as a political force.

22. JW: Certaintly, I think it's a very important time for local government. They need to respond to these challenges. **A216, A24**

DM: Concluding, would you label the issues of the roof tax as challenges as opposed to problems?

23. JW: {{laugh}} I would say so, and you should go into politics! Yeah I think to finish up there are inevitably issues with the roof tax, but in my eyes they are a lot less than those faced by the PGS, and that is being threatened to be roles out nationally, It's a no brainier.

Sheet DLA
Interview with David Lock Associates consultants - respondents 2 and 5

Respondent 2: RP {Director}
Respondent 5:-SP {Associate Director}
DM - David Morris
Location: David Lock Associates, Milton Keynes.
Date: 9th July 2006, 10.30am
Interview recorded
{.} = pause
__ = phrases that are stressed
{{ }} - descriptions

DM: Thank you for seeing me {.} it really is much appreciated. As I explained in my emails the paper I'm writing is looking at the way planning seeks contributions from developers and landowners. In essence I think I'm looking to try and understand the differences between negotiated and tariff based systems {.} The fact that Milton Keynes is experimenting with a tariff…

1. RP: Which isn't signed off…{{laugh}} **D38**

DM: Oh {.} I wasn't aware of that…

2. RP: I don't think that many people are {.} Mr Best the Milton Keynes chief exec is trying very hard to brand the proposals {.} Its good for the city in his opinion… **D39**

DM: I see, well that will provide an interesting slant on what I'm looking at here. Just to go back a step and finish explaining the purpose of this meeting {.} I guess I'm interested in your experiences of the tariff in the growth areas {.} In light of these thoughts I want to attempt to understand what the impacts for affordability would be. I know that DLA are the principle planners on those schemes…

3. SP: yeah, we have the lead contact on the expansion areas to the east and west of Milton Keynes which forms the first phase of the planned expansion of the town as set in the MKSM strategy {Milton Keynes South Midlands sub-regional strategy}. Robert knows slightly more than me on the tariff itself…

DM: That's not problem as I want to gain some more general perspectives too on your opinions of a negotiated versus tariff system anyway…

4. RP: I think it would be handy to start from the beginning as we've got the time. Milton Keynes Partnership was set up in June 2004 as an extension to the council and EP {*English Partnership*} to deal with the expansion areas of Milton Keynes as well as the city centre master plans {*nb: the city centre of the town is being regenerated thought the EDAW master plan - 2005 - and this is also administered by the partnership*}. The initial undertaking for the board in the expansion areas was to deliver, in the first phase, some 8,000 homes to the west and 3 to the east, is that right Sarah?

5. SP: Yes {.} Although I think those figures are subject to final approval. The developers have an option not to complete them all {.}

6. RP: So we have this board which is in charge of these areas on behalf of EP and MK council. As the area is <u>totally</u> greenfield i.e. there is nothing there currently, they became concerned about how to implement all the infrastructure needed {.} We're talking roads, utility roads, schools, absolutely everything. No mean feet at all. **B32**

DM: Yeah {.} Do you think there decision to look into a tariff system is because they {the board} were looking toward the PGS consultations and everything under Barker?

7. RP: {.} Mmm {.} I'm not sure {.} I think that definitely had an influence, EP likes to be seen to be doing innovative things. I think the motive was more the need to have things in place before or during building. I'm sure you cover it in your course but there is no point building major peeves of infrastructure in developments after people have moved into homes {.} phasing and delivery are crucial. So getting back to your point I think that the need to pay for, and deliver all the required infrastructure was the main reason for looking at a tariff system as opposed to section 106 **D39, B315**

8. SP: Just to pick up on that you've got to remember that the expansion of the city is a big deal for many people {.} you know, it's a chance for major growth for MK. For infrastructure provision to hinder that ambition is not acceptable for many, including Mr Best from the council.

DM: Ok so we have a situation where EP, the council and the partnership have muted the idea of a tariff system for the presupposed benefits of a tariff system I guess?

9. RP: Yes I think they naturally equate the tariff system with faster decisions and a more streamlined process. {.} So, we have the partnership but we also have MK Forward. This body represents the house builders, landowners, housing associations, community groups… **A35**,

DM: Essentially the main actors…

10. RP: That's correct. So they have formed this group which represents their interests. They have appointed lots of consultants, including us, to look at the expansion areas, with one area being the possibility of a tariff. I guess this was in response to the partnership coming up with the idea of a tariff initially. So from here the partnership created a shopping list of everything they thought the expansion areas would need that could be included in the tariff. Schools and so on, everything. This list was debated about for some time with items being put in and taken out again…

DM: What was this based on? A CBA…

11. RP: {{laugh}} You'd think wouldn't you! These tit for tat talks were just about the principle of what should be in there… After protracted negotiations agreement was reached, in the usual public sector fashion, they then had a second round of talks to discuss what the costs would be. This is where it got complicated because of the way developers provide things {.} As you know the tariff is based on a single payment of some 20K per dwelling. This is a flat fee which pays for everything on that shopping list. But the developers were saying 'hey, we build some provision on site so we should be compensated for that' {.}. So the partnership offered a discount system whereby they would give the developer a credit note almost which could be used to knock off that cost of provision. **B314, B19**

12. SP: So if they built a school which is included in the list on site, that cost would be offset against the amount they would pay to the partnership?

13. RP: Yeah that was one of may complications….we can talk about some of the others later but the essence of the problem was that there was no guarantee from the partnership about what the cash would be spent on. Unlike section 106 where you detail what the money will be spent on, here they were just asking the developer to pay x amount and then see where it ended p in terms of infrastructure!. **A37**

14. SP: Which is stupid! Why would a developer pay the monies in the knowledge that his of her development may receive non of the benefits from that infrastructure! That's not the idea of the system, it is meant to mitigate the impacts of the development! Not pay for a road on the other side of the city. {{laugh}} **A17**

15. RP: So this was resolved in the business plan which sets out exactly what each piece of infrastructure will cost and how much will be needed. This was then agreed by both boards and adopted by the council. {.} A key element to this agreement was the payment structure. The plan sets out that 10% of the monies owed through the tariff are paid on the consent of planning permission. 20% of the commencement of the 1st phase and the remainder when each dwelling is occupied. **B314, B315**

DM: So it's a house by house payment?

16. RP: Essentially although they I think it's a monthly payment otherwise it would be say three cheques a day for however many years! But yeah, the remainder of the tariff on the house is paid on the date that it is inhabited. So this is the basic structure of the agreement and this list outlines everything that is included the in the tariff for the eastern expansion area.

DM: Thank you {.} This is very interesting. For me, who knows relatively abut the subject, it seems that what developers are being asked to pay has increased so much!

17. SP: You are right. If you look at the list it have become very separated from what was once called 'material considerations!'. Look at the list, it includes monies for a university, new swimming pool in Bletchley, improvements to junctions 14 and 13 of the M1 {.} These are not site specific mitigations any more… **C15**

DM: Does that concern you?

18. SP: Not as much concern me but more that it means a move away from what has traditionally been the use of the section 106. We are now being forced to negotiate provision for clients on things which have no link to the site at all. I think this is just a change in mindset more than anything…we can talk about this after Robert has finished discussing the tariff itself. **A11, A17, A217**

19. RP: Well all I was going to run trough was the principle issues there has been. They really centre on the policy and masterplans. Policy D4 of the local plan talks about being development being carbon neutral.

20. SP: This has been a real issue within the council. When the local plan went to consultation DLA objected on the grounds that it so hard to say what is carbon neutral and what isn't, how do you measure it, what are the thresholds and so on. Our response mirrored pretty much everyone else's response too, yet it was adopted…

21. RP: …so we have a situation where policy is asking us to come up with carbon neutral development when the tariff has already been agreed. As the developments for the expansion areas are only in outline planning permission form they have to be resubmitted

28. SP: Well I was just going to follow it up with the fact that you also have to understand the housing market in all of this…

DM: Yes this is something I was going to ask…

29. SP: The housing market in the city is starting to look wobbly. New homes in these sorts of areas are struggling to sell at the expected prices. We have seen the first phase of Oxley Park go for around 20% less than the predicted price. This is a major problem for developers and linked to the PPG3 and PPS3 which, as we all know. Calls for mixed use high density living. Yet in the Milton Keynes - i..e a family city based on detached semi detached family homes with a garage, two car parking spaces and lots of garden space - PPG3 looks awkward. People have been put off by the lack of car parking spaces, size of houses, poor design and so on. The result has been that the older houses in MK are starting to go for a premium. Developers in the new areas are lowering quality standards to make up the difference but also offering free kitchens and so on to entice buyers. But you just remember that because these developers are plc's there bottom line cannot change. As we've said the housing is a commodity. In this situation developers are likely to hold back on the release of land until a time that the market is more healthy. **E19, D310, E43, B14**

DM: Can I ask about the affordability dimension to the housing market? I am struggling to understand the provision of affordable housing in the city. The HSSA data seems to suggest there is very little?

30. SP: Traditionally the affordable housing element of the market has relied on developers, as part of contributions, to discount homes so as the close the gap between mortgage levels and house prices. This has predominantly been through shared ownership schemes. Yet the last five years has seen a massive increase in house prices which has resulted in this gap widening. We now have a situation where people cannot even afford toe come close to the prices of homes. We bought my old house in Wavendon for £46,000 10 years ago. We sold it for £126,000 5 years ago and it has just gone back on the market for £226,000. Now no one can argue that earnings have risen in line with house price increases. So we see the affordability gap widening…. **E19, E23,**

31. RP: This is reflected in the redrafted Housing Needs Strategy that is due for publication on the 1st September. From meetings that I have attended the plan by the council and EP is to push for more traditional affordable homes which are rented from the council as increasingly, people cannot afford to enter the housing market. **E44**

DM: So, linking what you have said back to the tariff what are your inclinations?

32. RP: {.} Well the tariff is not dealing with one of the single largest elements of contributions sought by the council from developers. In doing so it's not really dealing with a lot of the issues. One case is the fact that the tariff is payable per dwelling. Well areas which are directed under PPG and PPS3 are inclined to high density and all the rest of it making the payment from the tariff on high density development very expensive for the developer. The result is that they will prefer to develop lower density housing which has larger until sizes thus protecting there profit and paying less towards the tariff. **D311,**

33. SP: But the important thing here is that the tariff is really running against policy then. It is in contrast to PPG3 in the sense that there is not the incentive to develop at high density because of the costs involved through the tariff.

DM: Going back to what was said earlier about negotiations, costs of contributions in the tariff and the hard nose attitudes of the developer, could you expand on what you were saying Robert?

34. RP: Well clearly developers like the fact that they can pay a lump sum which is standardised and that covers most of there contributions bar affordable housing and open space. They also say that the need of affordable housing is set in the Housing Needs Strategy so targets should be set through that and not a arbitrary figure from a tariff. Despite the hard nose attitudes many developers have, we are increasingly seeing is developers not arguing as much about affordable housing levels but accepting them. This comes from the worry by developers that affordable housing levels in policy will increase as they have done in London to 50%. When this happens, and developers think it will do in MK, profit margins will be squeezed further. The time to develop is now to a degree

because of this fact. I think that the new document of housing needs in September will call for even higher targets for affordable housing due to the affordability gap. **E45,**

DM: So you don't think that the supply of affordable housing will be adversely effected by the tariff system?

35. RP: Not really as it is a key priority for policy. If anything infrastructure will suffer from the fact that the agreed amount {£18,500/dwelling} will not be enough to cover all the required infrastructure. That's more of the concern I think. **E46**

DM: Ok, can I ask do you think that the fact that 106 is still used for affordable housing undermine the certainty of the tariff because it still has to be negotiated and a application could be denied on those grounds?

36. SP: It's a good question. {.}I think it's a very hard to argue that it doesn't. What it does do is remove a significant amount of the negotiating process to allow for a degree of certainty. But its not definite when you consider the fact that affordable housing payments for Oxley Park are 150% of the tariff rate. **B38, D312**

37. RP: {{laugh}} That puts the tariff into perspective really!

DM: Ok, so we're at a point where developers like the certainty of the tariff, they aren't really arguing affordable housing too much as the targets are likely to go up soon and the housing market is starting to look a little weaker in light of economic cycles, poor design on new builds etc, but that still is in the context of high house prices which has meant the affordablity gap has increased. I get that. What about the perspective of the local authority? I ask this with the PGS proposals in mind in the sense that the tariff begins to incentivise local authorities to grant planning permission because they know they are guaranteed a seta mount of cash. What do you think about that?

38. SP: I think our your right to a degree. But lets not forget that the Milton Keynes needs the growth and it will happen so the council know they are in for a lot of money anyway. Another way to interpret the tariff is as a recognition by the council that they lack the cash and people to administer 106. They are saying that this is a better way for them because it cuts out a lot of cost of negotiating and so on. This is something that is very topical at the moment with the review of local government and so on. **A21, A12**

DM: Yeah {.} Im reminded of John Gummer's comments at the TCPA conference however when he said that he vehemently believed that revenue collection and planning should be separated as money has the potential to {.} taint shall we say, the interests of planning.

39. RP: I think your right there, but then that's always been the case. For me there are a series of clear points for the tariff. It is not as simple as people are saying, I don't think that is helped by Mr Best and the council who are blowing their trumpets about this slightly early. More so, the tax is clearly a blatant stealth tax. If you look at the so called shopping list contributions are starting to pay for things that the local authority has always paid for. Where are council taxes going? We pay a lot of money in council tax and <u>don't</u> see much of that. It is similar to road tax…that money is not spent on roads but redistributed to other areas of government spending. **A216, A27, D15, A15**

40. DM: That seems to be the consensus with the planning gain supplement. I know we're short on time a bit here but I'd like to ask your opinions of how transferable this tariff system is. People are clearly looking at it, as at Ashford, and asking whether this is something that could be rolled out nationally. What are your thoughts?

41. SP: I think that the tariff is very good when you are talking about starting from scratch. We have master planned Clyst Hayes in Devon which is a totally new town. This sort of system would have been ideal there. I don't think that the development industry would allow affordable housing to come under the tariff so I think we have to accept that there will always be a degree of negotiation there but it is definitely an attractive option. But in established places it would be much harder. There are multiple problems about were the money will go, who spends it and so on becu8ase your not starting with a blank sheet of paper. **D34**

DM: Professor Hennebury in his statement to the parliamentary sub committee consulting on the PGS said he felt that the Milton Keynes example had a very unique set of circumstances of which are not always found elsewhere, are you agreeing with that?

42. SP: Yes to a degree. But this needs to be placed in the wider context if you are talking about how it could be used nationally is that right? **A38**

DM: Yeah I'm interested in if it could be used elsewhere to the same effect.

43. SP: I think you have to realise that the government will push through the PGS regardless of the consultation. It will become statutory. The MK tariff is different because it doesn't take money to a central pot and it clearly defines what the money will be spent on. In my opinion this is a better situation. I think that in an adapted form it could be used elsewhere but as it stands it is very much tailored to Milton Keynes. **D23, D24,**

DM: Following on from that do you think it is fair to say that, like the tariff here in MK, that the PGS has been devised with a greenfield model in mind? I only ask because this is on of the criticisms of the tariff in terms of the fact that it doesn't distinguish between greenfield and brownfield because it doesn't have too.

44. RP: Yes but I don't think that means it cant. I think that with careful change, it could be used in other areas. I know that Hampshire are trying to get one up and running. To start to rap things abit I think that the tariff allows for a streamlined quicker process which gives certainty to the industry. I know there are issues within it but that is the fact. A scaled down 106 process still makes the whole procedure a lot faster. This is a good thing in terms of the fact that we need more houses. {.} However, as we can start to see in the expansion areas, the tariff, as with wider policy such as PPG3 is failing places. In terms of the tariff it places even more emphasis on the role of economics in the whole thing. I know ive said this a lot but houses are commodities. To protect profits developers have skimped on quality and space which has meant homes ion these areas are less desirable and harder to get rid of. Place that within the context of the requirements from PPG3 and you are faced with developments which really aren't that great for the town. **A410, A35, A31, D32, E47**

45. SP: Roberts entirely right. I really feel strongly that many of the developments we are creating, so called sustainable communities, are in no way sustainable… **E47**

DM: …and you think that the tariff has a role to play in that…?

46. SP: To a degree. The whole contribution seeking mechanism in the format of seeking money for anything has changed the way we look at development….it is now a tax not an ameliorating mechanism. That is a worry. {.} Whilst I remember the housing corporation and EP are going to be merged in the coming year as EP is in charge of delivering ex government land to the market for housing. I think this may lead to more 100% affordable housing sites. **A27**

DM: That's another interesting angle on this issue. So to finish can you offer some concluding comments on the tariff {.} What you feel would sum up the issues in a nut shell almost!

47. RP: I think it is a commendable effort to solve a very complex and politically sensitive issue. It streamlines delivery of development by getting rid of a vast majority of chat, but it fails to understand the needs of places and this is a problem for wider policy. The places which policy is asking for, and the tariff has a role to play in that, are not desirable within Milton Keynes. We will I think, in 10 years time, see an increase in the number of car parking spaces provided in Milton Keynes as people object to these sorts of homes. Sarah? **D31, A32, E47,**

48. SP: I'd agree. Certainty is key for us and developers. We know that we are paying for something that will be spent in our locality to a degree and that the development will benefit from it. We also know that we only have to negotiate on affordable housing which speeds up the whole process but I still think the ends product is poor. The role that the tariff plays in that by sucking money from the development is crucial. Is it that quality of materials and design in these developments is sacrificed because of the needs of

local authorities? I don't know, but many people think that is the case in Milton Keynes. **D313, E48**

49. RP: Right we must wrap this up now, the room is booked for 12.00.

DM: Yes of course, thank you very much for your time it really has been most helpful.

50. SP: Not at all, I think your dealing with a very interesting subject!

Sheet NB
Interview with English Partnership planner - respondent 4

Respondent 4: NB
DM - David Morris
Location: Phone conversation.
Date: 7th July 2006, 1.00pm
Interview recorded
{.} = pause
__ = phrases that are stressed
{{ }} - descriptions

DM: Thanks for taking some of your time to talk to me, it's much appreciated.

1. NB: No worries, do you want to start by reminding what your looking at and what you want us to discuss?

DM: Sure. The general aim of the research is to understand how the Milton Keynes tariff that EP is using with the partnership is performing, what people think of it, how is it delivering affordable housing and how much of an alternative it is to the PGS option. The paper is 10,000 words or so long and ive spoken to some consultants, John Respondent 1, potentially Jane Hamilton at some point and you!

2. NB: Ok, it sounds interesting. I think the first thing to say is that EP is integral to the tariff process in the city. And within this we as an organisation have two key thoughts on the whole idea. Firstly the tariff, as we see it, places a lot of faith in the transparency. It is meant to show how money is being spent to the public and developers. In doing so it allows for us to take a strategic view of infrastructure which is needed in Milton Keynes… **A34, B318**

DM: Something you think section 106 lacks?

3. NB: to a degree yes. I think as a national regeneration agency we have the ability in a more strategic fashion than individual local authorities. We are lucky in Milton Keynes that the council is very {.} progressive in how it plans. We can say, through the tariff, that we need to extend this element of the grid road, we need another school here, the pct will need something else here etc etc. {.} The second aspect of what I was saying was that the approach we use allows all those involved to commit to it knowing what it entails. The treasury, ODPM all the way down through the layers of stakeholders are all committed to this approach. I think that is really important as it allows for certainty within the system for everyone involved. **B31, B37, A14, B17, D35**

DM: Indeed. There are a couple of questions I would like to ask on that point. Firstly do you think that the certainty offered by the approach is more important for developers than anything else. I say this having spoken to Respondent 2 at DLA who says developers know they are paying more than they should do for infrastructure through the tariff but it allows them to know where they are going in terms of their business plan so they put up with it and build it into there costings. Secondly; to plays devil's advocate for a comment this approach relies on the sound economics of the approach. It has been suggested by many that if these figures were to be proven wrong then the approach would become a failure. I don't know what you think about both of those points?

4. NB: Well {.} Firstly I would say that the risk of over spend in whatever project is a risk that is inevitable. The point is to try and minimise that as much as possible… **B319**

DM: Sure, but when there is a lot resting on those calculations - like the provision of infrastructure for an entire expansion area - should we be relying on that method?

5. NB: I take your point, but that is a natural risk in planning for development, you never entirely know the future costs. So yes I accept that there is a bit of an issue there but at least under this approach the chances of that happening are reduced. You mentioned developers and there payments. Well the tariff as you know is fixed and non negotiable. I've not heard anyone saying that they think developers are paying too much in public. I'm not entirely sure how the figures for the approach were extracted but I know that there was a lot of negotiation on the unit prices which is set out in the business plan, so I wouldn't be surprised in the developers took that opportunity to wrangle on price then. {.} My personal thoughts are that the developers get a good deal from the situation. The time to consent is dramatically sped up, EP and the council get there money which I think is more than under 106 and with the forward funding, infrastructure is going into places before people move in. **B319, C33, B314**

DM: A win win situation?

6. NB: I think so, in broad terms yes. **D318**

DM: Ok I take your point on costings and I buy into the idea that certainty is valuable to anyone building houses and shelling out lots of money. But the forward funding role that EP plays is an interesting part of it for me. What's your thoughts on it?

7. NB: Its essential. It wouldn't work without it because of the stages of payments received from the developers. **B33**

DM: So the tariff is reliant on EP, is that dangerous and put you in a more influential position?

8. NB: Well obviously we are important in the process but the masterplans for the growth areas were commissioned separate to the means in which the costs of those plans would be met if you get what I mean. We didn't say we're not going accept that role unless we have x,y and z on these sites. It didn't work like that to my knowledge. But getting back to the original point the role of the forward funding to pay for things in the interim period is very important.

DM: …and that gets onto the ideas that places are more successful when the infrastructure is in place when people move in and so on?

9. NB: Definitely. **A18**

DM: EP's position on the planning gain supplement interests me too. In the consultation document it appears that you think the tariff has a wider use? I've read from John Respondent 1 that the tariff is an option to PGS, what's your thought on PGS and the tariff as an alternative?

10. NB: Well, PGS for me is full of problems and having seen the consultation document we submitted to the ODPM, I can say I agree with a lot of it. The biggest problem for me is as much to do with the lack of detail and substance within the proposals as the idea in itself. {.} It clearly has the same aims as the tariff. You know, it wants quicker permissions, more cash for infrastructure, greater efficiency and all that. However, valuations, something I'm not a specialist in, seem full of problems. How can you value the price of a site when it hasn't even been built. To predict the market is a very hard thing indeed as developers will say. **B215, B22,**

DM: So what about its use itself elsewhere though? I only labour the point because many have said that the situation found in Milton Keynes is pretty unique and that's why the tariff can work because it meets a set of requirements laid out in plans.

11. NB: There is a great interest in what we re doing here. Northampton are trialling a tariff, Ashford have one, and South Hampshire is looking at it too. I think there are issues of course but as a general principle why cant it work elsewhere? It could be applied to whole of Milton Keynes and probably will be at a later stage. **D34**

DM: So if you believe in it's ability why do you think that the Barker Review didn't take it into account as an option? I know that they considered a Land Valuation tax based on annual payments and it was rejected, but not the tariff?

12. NB: I'm not sure {.} I imagine with all of these things there is a hidden agenda about the purpose of a land tax. I'm sure you've read about the issue of whether the tax will be used only for infrastructure? **A216, A24**

DM: Whether it will be ring fenced?

13. NB Yeah. This is a very important issue. Many have used the example of road tax where little of the cash raised by the tax is ever used on the roads - instead it is channelled elsewhere, In terms of the development industry there can be no doubt that it's a very lucrative industry to tax! **A27, B25**

DM: Just to pick up on that point. EP, having a role in regeneration, seems to suggest that it is enough just to say that development costs associated with regeneration on brownfield land should simply be offset against the PGS charge. Whilst that equals out the monies slightly does it not still disincentify the developer from building on brownfield because the profits wont be as large?

14. NB: Well clearly it depends on circumstance and I think this is why EP has taken this step. Brownfield land in central. London is obviously hugely profitable to any developer regardless of costs associated with decontamination and so on…. **B21**

DM: But what about in Oldham?

15. NB: Yeah I see what your implying and I agree. I think it's an area of contention. My personal thoughts are that brownfield sites shouldn't be excluded simply because the number of regeneration sites which are viable under current circumstance are limited now anyway, particularly in areas such as London. Places like Oldham in your example will always loose out in these circumstances because the developers cannot physically contribute as much cash because of profits and the state of the market. **C215**

DM: Sure. I think that's a major issue within any mechanism which seeks contributions is what happens to areas where development lacks national averages {.} In thinking of the south east as most do. Would you favour a redistributive mechanism within the PGS to allow for this very problem?

16. NB: That's hard. It's a difficult ask to say that money raised in one area will be spent somewhere else {.} That's moves away from the contributions being a material consideration to permission. I think a thing to consider here is not only the way we practice planning gain, but the idea behind it too {.} This has changed a lot to things that wouldn't have been included even 5 years ago. **A11, D15**.

DM: Well I was going to ask you about the so called list of the tariff {.} It includes a lot wouldn't you say?

17. NB: Yes but nothing that wasn't covered in 106. Its just more streamlined and clear. Maybe people didn't realise to this point what exactly was being covered by s106… **A17**

DM: I'd like to ask about the university if I may. This seems like one of the more tenuous contributions that would be linked to a site wouldn't you say?

18. NB: Well think that this is where the change in perspective occurs. The tariff is dealing with a strategic approach to contributions, like PGS, which is important for some of these provisions. A university is one of them I think. If you look at the plans for the area the university its integral {.} Its going to be a major attraction for people to move here. Why shouldn't a town the size that Milton Keynes will be not have a university? They are proven to stimulate economic growth and attract investment so why not? Yet paying for that is hard. They are expensive! The tariff can help here as it can take funds from numerous projects and pool them to pay for big infrastructure projects like a university. **B210**,

DM: Sure I see the rationale and think that's something that is widely supported. Its interesting how the aims of PGS and the tariff are the same but the method is different! {.} I'd like to ask about the tariff and affordable housing. It seems funny to me that it is not included it the tariff. I also read that within the consultation for the ODPM, EP said that affordable housing should be included in a tariff if it were used as an alternative. What are you thoughts on this?

19. NB: {.} Well I think clearly affordable housing extracts a lot of money and is a high priority for policy. One thing for EP is that by having affordable housing included, there is even less room for negotiation. Remember affordable housing is still negotiated… **B38, C27**

DM: I wanted to as you about this. John Respondent 1 implied that there was no room to negotiate on housing provision because they are set out. Is that right?

20. NB: Well they are, but only under policy which is open to a degree of interpretation. {.} I can see why developers argued for it not to be included in the tariff system but from our perspective it would speed up delivery on our targets. I think the biggest issue is that all the elements to the housing situation are included. The key players must be on board i.e. the housing corporation. Affordable housing relies on SHG money too. Its an important factor. **B38, D313, B37**

DM: Respondent 2 has suggested that EP and the Housing Corporation are going to be merged?

21. NB: I think this may happen but not for a while It is not something that will happen for a while if it does. I cant really say more than that because I don't know what the deal is.

DM: So if we could talk a little more on the tariff before we finish that would be great. Where do you see the weaknesses?

22. NB: Well as we've discussed a big issue is the point that affordable housing is not included. The level it is implemented is important too. Within other areas it must be allowed to be strategic. I mean it must be allowed to cross local authority boundaries if needs be and so on…. I know that's much easier said than done. Maybe in its present form it doesn't t include the option to use redistributive powers for the monies raised. I think that is more of an issue for policy however. If there is strong policy and guidance which allows the approaches to work in the way they are intended then they will perform. {.} Historically it has always been the strength of policy which lets down practice in planning you know? I think the way to view the tariff is as something which has the potential to be used elsewhere and possibly as an alternative to PGS if its amended to a suitable level. The biggest positive over the planning gain supplement for me is the fact it removes some of the ambiguity of the valuing sites. It also keeps the direct link between the developer, local area, infrastructure provided and local authority. This element of trust and rapport is important for successive schemes. The there are all the issues that we know about with PGS. What does it mean that the treasury is collecting the tax? How will the money be filtered back down? How will the things kept in 106 area for seeking contributions perform after it is adopted? And of interest to I guess, how will the supply of affordable housing be changed? {.} Clearly these are big issues and I guess some are not entirely for PGS itself and could be applied to the tariff. However I do believe that it is a better system than the government proposed approach and it should have been considered in more detail when the consultation document was published in 2005. **D319, D317, D34, B31, B22, B24, B26, B25,**

DM: Others have suggested that the consultation should have looked at improving the existing system as opposed to overhauling it. Would you agree?

23. NB: <u>Definitely!</u> I know this is bringing in politics but you have to remember that this government likes big changes which it can use to show it is reforming and changing the system…yet what if the system just needs a little tweak here and there as opposed to a total mot? Obviously 106 has problems, and I think by proposing the tariff EP is saying that we are using the best from the tariff and s106. What the ODPM or whatever its called now is saying is that they are using the best of PGS and 106. It's a different approach I guess but I would argue that the way we have adopted s106 is not {.} well, not as extreme maybe? I think the tariff recognises that 106 wasn't delivering infrastructure quicker enough and that by cutting out a lot of the negotiation it is saving time. **D11, B111**

DM: Yes I see. I know we have talked about it but the fact that there is only a small number of landowners and developers means that the agreements have been relatively straightforward. Is that not the case?

24. NB: I guess so **A38**

DM: I only ask as if we are talking now about transferability, the fact that in other areas there may be many more landowners, developers and so on means that it wouldn't be as simple to use the tariff.

25. NB: Yeah I see what your saying but that is where I come back to my point that it is up to policy to be robust and help ease that process where the situation is more complex. I don't think we should be put off using the tariff approach because of that fact the government certainly aren't with theirs!!! **D317**

DM: But under that circumstance aren't we starting to get back to one of the criticisms of 106 whereby the process is slowed down by negotiation?

26. NB: To a degree but that forgets the fact that the negotiation is one of many things to consider. The fact that certainty is there for the developer in so far as they know that infrastructure is going to be delivered to their site is important as we ve said. That is something that PGS can't guarantee! **D313**

DM: True!!! I guess your right! On affordable housing, it seems fair to say that in the latest publication of the housing needs survey for the town it will say that there is a need for policy to move towards outright provision of affordable housing in the traditional sense as opposed to help getting on the ladder through shared ownership etc. Do you think that's going to place more pressure on the need for affordable homes?

27. NB: Probably yes. Prices are increasing at a rate earnings cannot keep pace with. That's accepted. I think we will see more help; for higher earners who want to get on the ladder and more traditional help for those who don't have a chance at that shot. In essence I think its about move the provision up the scale of earnings a notch so that people who could have afforded a house 10 years ago on there income now cannot despite the fact that those earnings may be considerable. That is where affordable housing policy can help in Milton Keynes. **E23, E31**

DM: Brilliant. Well thank you for your time I k now you said that you ve got a meeting on the hour and I don't want to keep you.

28. NB: Pleasure, let me know if you need more advice or another chance to chat.

Sheet TD
Interview with one of the directors of Hunt Dobson Stringer - respondent 3
Respondent 3: TD
DM - David Morris
Location: Café!!
Date: 19th July 2006, 12.30pm
Interview recorded
{.} = pause
__ = phrases that are stressed
{{ }} - descriptions

1.DM: Hi Tom thanks for chatting to me.

TD: That's fine, no probs at all. Lets talk about what your doing with this project…

….Introduction to the project with general aims as set in section 1.0

TD: Ok. Well the first thing which springs to mind is the idea of the distinction between mitigation and tax. You know what I mean? We have seen a system change into from one which was concerned with receiving cash to mitigate site impacts to one which no asks for money for community benefits. For me, this is a tax. More importantly than the change itself, in my opinion, is the reaction by local authorities to this change. They have historically been very static in their reaction to section 106. This has always been the reason why local authorities have performed differently under the system. Look at Westminster or Greenwich. They know exactly what they want. They take a very corporate approach to 106 which is comprehensive. They say we have a list of priorities, we know what we want in terms of objectives from the borough {.} but at the same time they don't expect un realistic things from the developers. Really they take a very professional and corporate approach to negotiations. That's important you know? Developers respond to that kind of assertiveness. Remember they're not arguing to pay no contributions, they know they have too. For me and our experience in the whole process the principle problem is that local authorities don't know what they want. If they don't know what they want they ask for they think they should have, which all to often is unrealistic. That's where the difference between local authorities occurs, over the direction, guidance and priorities for boroughs. Some have it down to a tee, whilst others don't have a clue. **A11, A15, B13, B15, B114**

2.DM: And that's the main problem with 106?

TD: One of many definitely. From here, in the London context particularly, we have seen the region, in this case the mayor, identify key things that he wants. You know affordable homes, transport and to an extent recently, energy improvements. The important thing is he knows what he wants, and he sends a clear message to developers that that's what they are expected to pay for. **C17, B115**

3.DM: Surely local authorities should reflect the mayors wishes?

TD: Only to a degree and that's the problem. It's a trade off between what boroughs want locally and what the region wants. Now I know your talking about Milton Keynes which is slightly different in so far as the mayor has lots of power in London and really, the three priorities he has identified are felt universally in London. I*m sure it different in Milton Keynes where there is a more progressive, autonomous council which is proactive and doesn't take as much lead from the region. {.} Importantly for the Mayor getting back to London, he now asks developers to have an open book to show him what their costs are and what they are expected to make on any scheme. In doing this London has changed the goal posts dramatically. The Mayor is now dictating to degree how much developers should earn. That is a long way from site mitigation and really an outright tax. So you see how this distinction has been blurred. {.} The important here wherever we are talking about is that fact that this burring is occurring nationally too. Circular 05/05 made it a quid pro quo you know. It was all about community gain not site mitigation. This has since developed into Barker which is really the first time the government has admitted that's its ok to screw developers. Before it was simply implicit. These issues have never changed though, they have just resurrected themselves in a different form. I remember when I was at Lambeth and we didn't want 106 because it was felt that it was about selling planning permission. For us there were big moral issues with that. Yet in reality that's what planners do everyday of their lives. **A11, A12, A14,**

4.DM: And PGS?

TD: All PGS has done is formalise it! The only argument the government could come up with for PGS was that PGS would be able to redistribute revenue from one area to another. **A23**

5.DM: Which in itself was contentious.

TD: Exactly.

6.DM: So where do you think the tariff fits into all this?

TD: Well it's a model for 106 really in my opinion, and it should be able to predict in advance the movements of the market. As such it should have a list of priorities which mirror the local authority wishes. Yet in the example of the City of London tariff and Lambeth, they have become unaffordable. Developers have said we cant pay that its too much and the LA's have responded by saying it says that's what we should charge in the plan so that's what you must pay.**D317, A313**

7.DM: So what's the effect of that on the market?

TD: Well we don't know yet as this is happening in a time of upward movement for the market than can afford to take these hits on board. You have to remember that really, if they're being honest, developers don't care about what is done with contributions they make to LA's. They just want to know how much it will be and when it will be paid. Nothing else. Yet the attitude from local government has been what we're asking may be unrealistic but its in the plan therefore you've gotta pay it. You know, it might be nonsense but its in the plan! Its got socialist undertones hasn't it!!! GOSPLAN and all that! Ha ha! **C36, D310, A39**

8.DM: Ive had lots of people say to me about developers attitudes toward development, about their bottom line and all that…

TD: Well it's all about that. In my opinion the process of getting cash out of developments happens outside policy. For example we negotiated the 106 for Wembley and the LA wanted £11 million for education. I was livid because in policy terms from the targets, teacher ratios and all the rest, it should have been about 2. I think we agreed on 8 in the end but it proves that developers don't care, as long as the profit doesn't get attacked! **D310**

9.DM: So what about the tariff? Do you think it will speed up planning permission times?

TD: Maybe. It depends on the affordability of the tariff to developers. If its not, as in Lambeth, then developers will simply ignore and talk to LA's direct. That happened a lot in Lambeth. They ignored it and went to the council and said if you want this development in your borough you've gotta start talking to us about how it can be built otherwise we ll go elsewhere. Whilst that's slightly extreme and it doesn't occur everyday it shows how it all works.{.} Of course this is all set in the context of the authority not knowing what they want nine times out of ten. They're unsure of their own policies and don't know what they want from negotiations. Local authorities are not good at understanding commercial needs, so much so that EP has set up a team to go round to talk to councils about how to engage with developers. **B320, C37, C18**

10.DM: So what's the main issues within this context then?

TD: Well there needs to be more policy clarity. The Mayors example work well I think. We re never going to be able to deal with all issues but if we employ a sequential approach based on priorities then we have a chance of making it work!!! **C18, B115**

11.DM: Do you think there is a skills set shortages?

TD: Honestly? I think there is but that's not the problem. Its less technical than that in so as there is little direction in most local government. A set of planning objectives which take you somewhere you know you want to be as a local authority is important. **D314, C18**

12.DM: What about planning gain supplement? Are you surprised that it has been scrapped?

TD: Not I think it was a very very poor way of taxation. If the tariff is the way forward which it looks like it my then it will be easy to make changes through a new circular in a way that doesn't throw the system back too far. Interestingly though I don think the consultation has been a waste of time from the public perception because it has meant the threat of a taxation has bought land forward for development earlier than was expected in order to avoid the tax. {.} In broad terms I would say the tariff is a much better idea than the PGS for all the reasons you know of. **A218**

13.DM: Could we talk about certainty? I'm interested in what you think of it. Developers seem to bang on about it being a really issue with PGS, do you think that's the case?

TD: Well I think this exists on many levels within the industry. Generally developers will say they like certainty as it contributes to a stable market. Yet you've got to remember that many developers make money out of uncertainty and speculation. By reacting it gives them a competitive advantage. Developers like the fact that infrastructure can add value to their development but the extent to which they rely on this depends on the business plan. Long term free hold schemes usually require the most certainty from LA whereas other developers who attain planning permission then sell the consent, i.e. looking for the smallest s106 payment possible, usually are never as bothered. I guess it's the forms who exist in between who understand the level of certainty that they require the most. For example we did the 106 on Stratford City where Stanhope and Chelmsfield recognised that infrastructure was key to the success of the area so were willing to put into the 106 pot. This was seen as a competitive advantage and built into their business plan as such. **A35**

14DM: So we've got a situation where potentially a tariff would be better approach, would you agree?

TD: Well it doesn't mean that the tariff is better than 106. Only that it has the potential to be. I think the biggest worry is that local authorities will take it as given and use it by the book. If they do that then it wont work. Rather, they should use it to prioritise what they want and then extract it from developers. If they see the tariff as a set of strict guidelines then it will not work. **B38, C18**

15. DM: So if there is still some negotiation over tariff rates are we not in a position where we are still negotiating, the process is still taking time and ultimately, we are just changing where that negotiation may occur - i.e. when setting the tariff rates.

TD: I agree. But that comes from the standpoint that this is an easy and unproblematic process. The fact is that it isn't and people should realise that. Central government must understand that this process takes time for a reason, part of that is inefficiency granted, but part is because it cant be rushed. As you know working with us, EIA's, CBA's and all the rest have to be done and taken into account. Government is trying to tackle a long term housing issue it bought on itself over night. That wont work and wont happen! {.} On a separate point any response by policy to seek contributions must clearly allow the developer to keep a certain percentage of the residual value of the site. This approach works of the work done by 3 Dragons for the GLA on affordable housing which uses a basic model which assumes the market will always try and maximise its returns. So the residual is worked out by working back from the final costs. We take into account development costs, cost of the land, lawyers fees etcetera. One of those costs being 106. Any policy that get contributions must, if they are to be effective that is, ensure that what the developer is prepared to pay for land remains positive and is equal to or greater than what the developer is prepared to accept. The potential surplus, what we can have a go at with 106, cant be too small. So basically a tariff has to be sensitive to the residual value of a site so as not to impede development. A big question is whether the market is prepared for the tariff? Landowners who work short term may have paid over the odds for land based on any hope value. A tariff approach may scupper any plans they had for the site. So going back to certainty, in this example political certainty is crucial. The key question is how long it takes after a tariff is introduced for the true book value of sites to be realised and not the hope values which were invested in them under different arrangements to any tariff that may be used. Whilst we re on the subject this all occurs in the context of a rising market whereby developers can work these costs into there business models. What happens if the market stabilises or drops? **B38, B314, C37, C38,**

16.DM: What about planners as tax collectors? Where do you stand on that given you said that planning permission can be bought?

TD: Local authorities naturally want to defend the interests of their inhabitants and businesses. So there really is a local presumption against development. This is all in the context of a plan led system. Yet there are moral hazards like my experience at Lambeth. Really though the distinction between planners and planning permission as a means to gain cash has been implicit for years. I guess the reaction to PGS has been big because it made it formal and explicit. So going back to the tariff the use of a transparent approach is actually probably not a bad idea. **A14, A32**

17.DM: Yeah I agree. I'm still struggling to understand how all this links. DO you know what I mean…

TD: Well in the context of your study you ve got some questions to answer. Will the tariff speed up the planning process? Well only to a degree as we will still have to negotiate over tariff rates.. Will the tariff provide more infrastructure? Well it could do if it was implemented properly, but sensitively which was ring fenced to a locality. That is down to local authority and regional bodies to get there act together to understand what they want to spend the money on. And will the tariff maximise income for LA's? Again, only if managed properly.

18.DM: Yeah that's a definitely a good way of looking at it. You mentioned the region and I thought maybe we could finish there, I know you've got to get off. What's the deal do you think with Ken and his three priorities? Where does that leave local authorities?

TD: Well it undoubtedly erodes some of local authority power base because it requires them to work with the regional level to understand what the strategic agenda for the area is. That is understandably set by the regional and not the local government. **A221**

19. DM: An erosion of localism?

TD: Yeah definitely. Importantly though priorities differ at the regional and local level. The two diverging aims must compromise at some point to make a comprehensive approach to infrastructure. That's where the tariff will require greater skills sets to deal with these intra governmental discussions. Finishing on the idea of the tariff, its not a bad idea at all. What it requires more than the skills set is a strong set of guiding principles which prioritise what's wanted in a strong and visible manner. Here developers know what the agenda is, how to respond and how to move forward to the construction stage. **B114, B115, C18**

Sheet MK

Accessed: http://www.parliament.the-stationeryoffice.co.uk/pa/cm200506/cmselect/cmodpm/uc1024-i/uc102402.htm

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House of COMMONs: MINUTES OF EVIDENCE

TAKEN BEFORE

OFFICE OF THE DEPUTY PRIME MINISTER:

HOUSING, PLANNING, LOCAL GOVERNMENT AND THE REGIONS COMMITTEE

PLANNING GAIN SUPPLEMENT

Monday 24 April 2006

MR KELVIN MACDONALD, PROFESSOR JOHN HENNEBURY, MR GIDEON AMOS, MR NICK FREER and MR DAVID WATERHOUSE

MS LIZ PEACE, MR MIKE GUNSTON, MR LOUIS ARMSTRONG, MR CHRIS HART and MR TED WESTLAKE

MR JOHN BEST, MS JANE HAMILTON, CLLR KEITH MITCHELL,

MR MARTIN TUGWELL and MS NATALIE DEAR

Evidence heard in Public Questions 1 - 120

Oral Evidence

Taken before the Office of the Deputy Prime Minister:

Housing, Planning, Local Government and the Regions Committee

on Monday 24 April 2006

Members present

Dr Phyllis Starkey, in the Chair

Sir Paul Beresford

Mr Clive Betts

Lyn Brown

John Cummings

Mr Greg Hands

Martin Horwood

Anne Main

Mr Bill Olner

Alison Seabeck

Memoranda submitted by Royal Town Planning Institute and

Town and Country Planning Association

Examination of Witnesses

Witnesses: **Mr Kelvin MacDonald,** Director, Policy and Research, and **Professor John Hennebury,** Professor of Property Development Studies, University of Sheffield, Royal Town Planning Institute, **Mr Gideon Amos,** Director, and **Mr Nick Freer,** Director, David Lock Associates, Town and Country Planning Association, and **Mr David Waterhouse,** Town and Country Planning Association, gave evidence.

Q1 Chair: You will appreciate that there are a lot of witnesses in this session and we would like to try and keep to timing, although we have not started off very well since we have slipped at the very beginning. There is absolutely no necessity for witnesses to repeat a matter which is in the written submissions that you have made because, obviously, we will be taking those into account. Can I ask you briefly, starting at the right hand end, to say who you are?

Mr Waterhouse: David Waterhouse, Town and Country Planning Association.

Mr Freer: Nick Freer from David Lock Associates but with the Town and Country Planning Association today.

Mr Amos: Gideon Amos, Town and Country Planning Association.

Mr MacDonald: Kelvin MacDonald, Royal Town Planning Institute.

Professor Hennebury: John Hennebury, University of Sheffield.

Q2 Chair: Can I start with the first question to the RTPI and pick you up on a point you have made that you see there is a danger that those communities most in need of infrastructure investment will lose out to those with development pressure? Do you think therefore it is justified for national government to intervene and redistribute revenues to those areas in greatest need of infrastructure investment?

Mr MacDonald: We think that some mechanism must be found to redistribute; otherwise, I think, two effects may happen: first that one might ratchet up development pressure within those areas that are already experiencing development pressure but, secondly, that those areas that are in need of infrastructure, because infrastructure helps to make markets and to shape markets in areas where markets are not working very well, will not receive the benefit from Planning Gain Supplement unless there is some redistributive mechanism. **B214**

Q3 Chair: Does the TCPA have any comment on that?

Mr Amos: If redistribution for national infrastructure was not right at all we would have to do something about national government generally, but clearly it is important that there is a small degree of redistribution. We would like to see the vast majority of Planning Gain Supplement revenues, around 80 per cent, we would suggest, go back to the local authorities where it was raised. There needs to be some local gain for the local pain, but that should leave, let us say, around 20 per cent of the revenues to be available for redistribution **B214.**

Q4 Anne Main: On that point can I ask you where you think a local authority is? Is it regional, national, district, county?

Mr Amos: A local authority would be the local planning authority, which usually in a county shire system would be the district council and in a unitary authority would be the unitary authority.

Q5 Lyn Brown: This is to the Royal Town Planning Institute. You argue that the Planning Gain Supplement will not be able to raise much more money than section 106 agreements. Do you think that this is because greater taxing of land value is impractical in that it would discourage development or is it because the Planning Gain Supplement proposals need somehow restructuring?

Mr MacDonald: On the general point, but then I am sure Professor Hennebury will want to come in, it is not necessarily that the overall scheme is impractical in itself, but there are a number of barriers that we see embodied in the scheme as it is set out. That makes it doubtful as to how much extra revenue will be raised. We have set these out in our evidence but they include the difficulties of establishing the uplift in value against which you set the tax. They include the fact that naturally developers will be pessimistic about the eventual value of the scheme, quite rightly, when you have got a time gap of up to three years between the point at which the value is set and the point at which the tax is taken **B22, C21**

Professor Hennebury: I want to suggest a slight alteration in the question because the short answer is that there is considerable potential for getting income greater than the existing take from planning obligations but it could be done in at least two ways. One of them is to improve the way that the current planning obligation system works, and from previous research we know there is an enormous variation in local practice, so you can get two local authorities which are very similar in all other ways and one of them is achieving ten times as much income in planning obligations as the other, so that just by improving the way that the current system operates, whether that is through standard charging or through tariff systems or whatever, you would considerably increase the take. Comparing the current system with Planning Gain Supplement, you need to compare Planning Gain Supplement with what the current system might achieve if it was improved **B12, B13, B310.**

Q6 Alison Seabeck: Very quickly on the back of that, one of the criticisms of section 106 is that it does not bite into particularly very small sites, and one of the advantages of the PGS is that it potentially could if they take it down to one property, and also that there is value sharing between sites and therefore that is one of the justifications for PGS. What would be your arguments on both those counts?

Mr MacDonald: Certainly we welcome the fact that PGS potentially does go beyond the thresholds. We feel that the thresholds at the moment are fairly artificial anyway, so we do welcome that aspect of PGS, that it does have the potential to bite below the thresholds **B27.**

Professor Hennebury: Over time the threshold that some local authorities have introduced as the minimum before they seek planning obligation benefit has lowered and some authorities are operating at the level of a handful of housing units. Again, there is a huge variation between authorities as to what their threshold is and so it is very difficult to know the implications of that. Clearly, an automatic low threshold will increase take and reduce administrative cost **B13**.

Q7 Martin Horwood: RTPI suggests that the proposed scheme seems to have been written with a greenfield development model in mind. In fact, you could say that since the majority of the value uplift would be on the greenfield sites and therefore the majority of the tax would be from greenfield sites, you might be worried about discouraging developers, but you might also be worried that this is a huge financial incentive to the Treasury and to local authorities to encourage development on greenfield sites because that is where they will raise the most money. Which are you more worried about?

Mr MacDonald: Both in a way. Past experience has shown that there may be a tendency under some of the previous systems for local authorities to be better inclined to give permission on greenfield sites if they can see the link between that permission and revenue accruing back to that local authority. I speak from some experience of working in the DoE when the community land tax was in operation, so there is that fear, but that to us is not a main fear. The point we are making about being based on a greenfield system is that this is not the way that the majority of development takes place, certainly the way that the majority of housing development, and therefore we are worried for the Government that they may not achieve what they seek to achieve because they are basing it on just one part of the market **B21, A29**.

Q8 Martin Horwood: So if we are talking about brownfield sites would you, for instance, be in favour of a zero rate for brownfield sites which might encourage development on urban areas?

Mr Amos: To some extent the perverse incentive, if that is what it is, is really that, because the land value increases are that much greater on greenfield sites already. By and large I think we would argue that local authorities do not priorities raising revenue from section 106 over resisting greenfield development. It seems to us that a number of authorities are quite able to resist that temptation in the current system and they should be able to resist the temptation in the new system. In terms of a differential rate, as you said in the introduction to your question, the yield would normally be much bigger on greenfield anyway because of the land value differences. The TCPA does believe it would be worth prioritising brownfield but through how the revenue is spent in terms of cleaning up more contaminated land and bringing forward more brownfield sites that currently are unsuitable for development **B21, A29**.

Q9 Martin Horwood: But surely that will hit the exact areas that the RTPI is talking about which are in need of investment and development, will it not, because there will still be a financial disincentive even if there is infrastructure promise?

Mr Amos: If the tax was levied on brownfield sites?

Q10 Martin Horwood: Yes.

Mr Amos: If there is no profit with a percentage tax there is no tax to be paid, so tax is relative to the profit being made. There are sites in Mayfair which will be brownfield sites. The question is, do you really want to exempt those because they are brownfield even though the profit would be very large? **B21, A29**

Q11 Mr Olner: How much more revenue for infrastructure and affordable housing can be raised from developers without causing land banking? If we go back to the Community Land Act, and I can remember that well, is this Community Land Act II?

Professor Hennebury: The way that it is designed, I suppose the short answer is no, not least because the original levy under the Community Land Act was 80 per cent and the proposals here are for a very modest level. There is not an exact figure but it has been suggested to be no more than 20 per cent. The principle is not dissimilar, as with all taxes on development value **C27, B24**.

Q12 Mr Olner: How do you propose dealing with the very thorny issue of when does a piece of developed land become brownfield? I am talking about perhaps an old commercial usage that is now no longer appropriate to being in commercial usage and perhaps should be a residential one? Is there anything in the system that makes a difference in this or gives any guidance as to how it should be treated?

Professor Hennebury: The short answer is no. If we are assuming that the level of the tax set is the same for any land (and this was referred to in the previous question), that we are setting the same rate for brownfield and greenfield, the tax will be relative to the development value uplift which is achieved, so if you are talking about, for example, an urban site which is in former industrial use, with the decline in manufacturing that is worth very little now **B21**.

Q13 Mr Olner: I said commercial use.

Professor Hennebury: If you move from, say, low quality office to high quality apartments you are going to get a value uplift and that can be taxable, so the principle will apply in all circumstances.

Q14 Mr Olner: Do you think there is no problem about land banking being caused?

Mr Amos: From the TCPA point of view I think we would argue that the rate that has been talked about, so it is in the region of 20 per cent, is a lot less than the development land tax. According to parliamentary written answers from that time, when it was abolished in 1985 it was raising what in today's terms would be between £50 million and £100 million. By the mid eighties there was little evidence that this was holding back development by that stage, but my colleague, Nick Freer, from the commercial world may have another take on it **C26, B24**.

Mr Freer: I have not seen research which identifies the particular figures and it is probably difficult for them to undertake that research. One of the key things for the development industry is whether whatever level of tax is put in place does deliver the investment that they see on occasion holding up development, whether it is from additional money for the housing corporation to allow their affordable housing to come forward or whether it is funding for the infrastructure, which at the moment is part of either a bidding process or an allocation process, rather than the money being immediately available to free up the development. I think those are going to be some of the key tests, that if some of those barriers are removed then that will be one of the implications on which the development industry will judge whether or not it is worth bringing forward their sites **C21**.

Mr Olner: I would suggest that the Community Land Act was scrapped for political motives.

Chair: There is no answer to that.

Q15 Mr Olner: One of the things that it started to find, however, was the number of exemptions that were put on the land. Do you say categorically that this will not work if there are exemptions? Are you saying to us in giving evidence that there should be no exemptions, that every developer should pay?

Mr Amos: I think, Chair, that we are all a little anxious to see some more detail from the Treasury. Certainly the TCPA is sympathetic to Planning Gain Supplement and we want to see a move forward to the next stage, but we are not giving it our unreserved support until we know what the rates are, what the exemptions might be. Until we receive that information it is very difficult to make pronouncements on where the exceptions should be and so forth **B214**.

Mr MacDonald: And certainly we would say that there should be exemptions but again we would agree with the TCPA that we will want to know what. Just a simple greenfield/brownfield exemption is not sophisticated enough. If we are going into exemptions we need a far more sophisticated approach which maybe looks at the need for remediation, for example, of land, or maybe looks at particular uses that you need to bring into an area if you are going to create these things called sustainable communities.

Q16 Mr Betts: The RTPI have expressed some concerns about the possible effects of excluding affordable housing from the PGS and instead leaving that under section 106 arrangements. The Government say on the other hand that section 106 will continue to work for affordable housing as it always has done so there should not be any impact. What adverse effects do you perceive?

Mr MacDonald: Two, I suppose, initially: first, that we are coming into the realm of certainty or uncertainty for the development industry. If this scheme is to work then one of its attributes must be certainty for the development industry to help the development industry not to bank land and withdraw land. If a fairly significant part of a development is still subject to negotiation through section 106 then that certainty will not be there in the system. Secondly, and perhaps more importantly, there is no certainty from the consultation document that affordable housing will benefit from any of the revenues accruing from Planning Gain Supplement. We do not know how it is going to be redistributed. We do not know, for example, in this case whether the housing corporation will be a beneficiary of the revenues of Planning Gain Supplement but if it is not then one part of the equation, affordable housing, remains static, subject to negotiation with, as Professor Hennebury has said, local authorities not necessarily gaining the most value that they could through these negotiations while other bits may benefit from any increased revenue that does come from Planning Gain Supplement **A22, C26, C23, C310, B13.**

Q17 Chair: Can I just pick you up on something you said there? You said that essentially you were not keen on more being open to negotiation, that you wanted the system as clear as possible, and yet you are suggesting that section 106, which essentially is entirely negotiation, should be modified instead of the PGS which is non-negotiable. Can you square the circle?

Mr MacDonald: Just about, I hope. What we are trying to do is look at the Government's intentions behind this particular scheme, Planning Gain Supplement, and one of the intentions is to bring more certainty into the system. We are saying that that certainty will not necessarily be brought into the system but at the same time we are saying that within the existing system there is a lot of scope for improvement if you do not go down the PGS path. There is still an awful lot of scope for improvement **A210, B11.**

Q18 Mr Betts: I am still a little bit lost by that. Both organisations seems to be saying that there should be some benefit to affordable housing from PGS, but there is going to be a finite amount of money you can get in the end from any site. Is not one of the advantages of section 106 precisely that, that on each side there can be a look at the particular requirements and nature of that site and an ability to get some mix of tenure on the site by negotiation? One of the worries some of us have if you went down the road of PGS being the way forward for affordable housing is that many developers are going to be very happy. They just pay a sum of money over, they build their executive houses on the site, and the local authority can go and build its rented houses somewhere else well away where they will not depress the values of those houses.

Mr Amos: We are very concerned about that as well. I do not think we are suggesting that housing should be funded any other way than through 106 because you have to get that mix on site. If the Government did take a small proportion of redistribution of the revenues and decide to put some of that into housing corporation then that would be some extra, but the TCPA is saying that we want to see generally affordable housing agreed on site through section 106 **A16, C16.**

Professor Hennebury: The evidence from the work that some of my colleagues have done on affordable housing for ODPM and Joseph Rowntree is precisely in support of those two points, that local authorities overwhelmingly prefer to obtain affordable housing through in-kind contribution on site, because if they get a cash contribution instead they are bidding in the local land market and often are not able to find sites themselves simply because of the availability of land, and that private sector house builders, quite understandably, have bought in most of the land available, so it is extremely difficult for them to achieve affordable housing development unless it is delivered through section 106 agreements and in-kind contribution **C25**.

Q19 Anne Main: The TCPA stress the need to ensure that the proposed systems raise significant revenue. Do you have any practical examples of similar systems working that the Government can encouraged to investigate? You also say that you would like to see a close link between the places where funds are generated and where they are spent. I would like you to expand on that a bit further please because I am still getting a lot of messages about brownfield sites possibly being exempt or even being helped to become ready for development and they already have infrastructure deficits in those areas. How do you propose those would be dealt with? How far do you see revenue being generated in another area being moved?

Mr Amos: We tried to answer that at the beginning, saying that in the region of 70-80 per cent of the revenues raised should be returned to the local authority where they are raised, which would leave a much smaller proportion for redistribution. That redistribution could and should go into prioritising brownfield site clean-up to bring forward more brownfield land in local authority areas where they may not be likely to receive much planning gain generally. There would be that proportion available to central and regional government to redistribute but we are suggesting that something in the region of 70-80 per cent of all revenues should go directly back to the local authority **B27, B222**

Q20 Anne Main: Do you believe there is a model somewhere that the Government should be looking at? I notice you said 70 per cent, 30 per cent going to central government in there. I presume you are thinking there will be a bidding pot that people go for and so can you see a model you can suggest to us and how would you not have a bidding scramble for this 30 per cent that would be centrally located?

Mr Freer: One slight concern about how you deal with that is straightforward, through a bidding process. The suggestion in the paper is that it goes into the community infrastructure fund and at the moment that is a sort of bidding process and there is uncertainty for the industry as to whether or not you receive that money or you do not. It is part of a bidding process, so I think it would probably be helpful as part of the introduction of a system to have more certainty in the allocation of funding for particular requirements if they be in the areas which you would identify as having an infrastructure deficit and the identification of funds particularly for remediation or otherwise to help to deliver that **B216**.

Q21 Chair: Who would identify those needs? Would it be local government, central government?

Mr Freer: At the moment some of those investment funds are being identified through regional frameworks and the various sub-regional studies and efforts that are being identified as part of that process.

Q22 Alison Seabeck: The RTPI highlighted the problems that could be caused by breaking the direct link between payments and the provision of infrastructure, but at the same time you are in favour of some level of redistribution. Are those two objectives compatible?

Mr MacDonald: We feel so. We do think first that this break is very important. The TCPA has talked about payment for gain for the pain and we would support them in this. Local authorities at the moment in effect and sometimes in fact have a contract with the developer to deliver certain benefits - pieces of infrastructure, a health centre, whatever, as part of the development, and this must be part of the Government's drive to creating sustainable communities. If the uplift in value of the revenue disappears somewhere through the Treasury or through the revenue department then that contract is broken and we fail to see how a local authority can require, for example, the staging of a development until certain things have been provided if that link has been broken. We see the need for that link but we do not see that as being incompatible with some degree of redistribution at national level with the local authority perhaps, and one thing we suggest, coming back to the previous question, is far more explicit investment plans by local authorities and then at regional level, and then in fact a national spatial investment plan **A11, A16, B25, B23.**

Q23 Alison Seabeck: That starts getting to the complexities of how PGS once levied will be spent in terms of managing up-front infrastructure development. Some of these decisions need to be taken nationally, regionally and some locally. You have got local authorities trying to levy this at a fixed point. Do you have a view as to whether or not the fixed point which is currently being proposed for levy of this will enable infrastructure to be brought on stream and started prior to developments in a way that is physically workable? You could, for example, have a big housing scheme that required a new road, which may have implications at regional level as well, but the funding, of course, will not come until the final phase there, so you are very reliant on negotiations through the pot that hopefully will have developed over time, and I think we all have worries about how those negotiations will be managed and how these projects will be prioritised. Your views on that would be helpful.

Mr Amos: We would want to see gap funding as one of the key requirements to enable the PGS to go forward. In other words, if PGS was brought in in 2008, it would not be good enough to wait until 2010 for the first bit of infrastructure to come on stream and therefore the Government would have to make provision for forward funding infrastructure schemes that is going to unlock housing supply, and the Government needs to have planned for that introduction process. Otherwise the risk is that the impact on the development industry will be to slow it down and to slow down the supply of housing, which is one of the key factors, we believe, that this scheme will be judged on **B217, C26**

Q24 Alison Seabeck: So gap funding is obviously vital because otherwise it potentially could grind to a halt. Has anybody done any work on what that level of gap funding ought to be? Has anybody done any assessment, if you take a fixed point like now, on projects that are in hand prior to other proposals? Has anybody done any work, do you know?

Professor Hennebury: No. I was involved in some research for the then DoE in 1993 on the introduction of impact fees into the British planning system, which has raised many similar principles, and one of the major problems we had was that the requirements for infrastructure and the cost of its provision varied so much by site that it is virtually impossible to come up with any reliable estimate other than some gross average, which may not be particularly helpful in a scheme like this where you have huge local and regional variations **N/A.**

Q25 Mr Olner: Just a quick supplementary on that. These things can get out of sync, can they not? Usually, talking from the shire counties' point of view, the district authority is usually the planning authority. The district runs the infrastructure improvement. It starts that bidding process three or four years earlier and the infrastructure - and I am talking about highway infrastructure in particular - gets ramped through the regional office and then through the county council. How on earth can we use the Planning Gain Supplement to effect that sort of infrastructure if granting the planning permission is some way down the line?

Mr Freer: Perhaps one of the things that helps a little bit in that debate is that there are one or two examples now around the country where we are beginning to move towards revolving infrastructure funds which identify pots of money that will forward-fund infrastructure and investment, and that at the moment is being identified by some of the regional bodies as a requirement which then allows development that would otherwise have to wait for infrastructure to be delivered to come forward on the basis of this pot of regional investment fund that is available. As development PGS contributions are fed into that progressively over time, and the ODPM has already raised the point about the gap funding in the short term and the transitional arrangements, then there is funding that does potentially free up the development prior to that development having made its contributions through the system. It is a sort of fund that would enable individual development schemes and individual proposals to be drawn down to allow them to go ahead **B218, B33.**

Q26 Mr Olner: Yes, but very often what you think the infrastructure is going to cost now some ten years down the road will be completely different and there is a shortage of funds to fill that gap. How is that going to work in the system? I am showing my age by coming back to the old Community Land Act. It was to provide social amenities and not so much for infrastructure. The infrastructure was a very difficult kettle of fish for us to move forward together with.

Mr Amos: I gather you are hearing from the Milton Keynes Borough Council in due course and they may be able to give you more information about figures and the amount of money in terms of gap funding and forward funding that is needed. Certainly, we have been active in supporting that development of the tariff, the super 106 approach. We believe that it is important to bring forward these other mechanisms notwithstanding the fact that there is a consultation paper on Planning Gain Supplements being debated. **A310**

Q27 John Cummings: In a nutshell, could you tell the Committee how well the current section 106 arrangements have worked in order to provide infrastructure in an efficient and timely manner.

Mr Amos: The words "nutshell" and "section 106 agreement" do not usually go together.

Q28 John Cummings: Why are you all laughing? It is not a trick question.

Mr Amos: I think Professor Hennebury mentioned that various studies have shown how variable section 106 practice is. In some authorities there are well experienced negotiators with good experience of section 106 and the system works well **B21, B15.**

Q29 John Cummings: I understand that, that has been said. Should I assume it has not worked well, it does not work well, or it can never work well?

Mr Amos: We believe that it presents serious delays to the system and we do not think it works well **B111**.

Q30 John Cummings: Any application causes delays. It is quite a simple question. Do you believe it is working well?

Mr Amos: No, we do not believe it is working well.

Q31 John Cummings: Why?

Mr Amos: We want to see improvements. We believe this could be one improvement to PGS but also, as I mentioned a bit earlier, the Milton Keynes tariff would be another improvement. Essentially, we are saying that the current 106 system does cause delays, it needs to be looked at seriously, there must be ways to find improvement. PGS is one and Milton Keynes is another **A, B, C.**

Q32 John Cummings: Very briefly, what would you do to improve it?

Mr Amos: We would look at the Milton Keynes tariff system **B3.**

Q33 John Cummings: Without looking at anything, not Milton Keynes but what is your idea?

Mr Amos: We would roll out that scheme. We believe that is a good scheme and we would roll that out much more widely.

Q34 John Cummings: You have not got a better one yourselves?

Mr Amos: We helped to come up with that scheme.

Chair: A TCPA tariff.

Q35 Martin Horwood: We are facing the prospect here of having two systems running concurrently, section 106 and PGS, of having a whole new system of valuations and more centralisation. Does either of you think this is going to be a cost-effective and confidence-inspiring alternative to the current system?

Mr MacDonald: First can I say that anything we have said to this Committee, and in our evidence, is not to say that we do not support the principle and we do not see the desperate need for more funding in infrastructure. If we can have a Planning Gain Supplement system that can be made to work, then we would whole-heartedly welcome it because there is the need for this investment. We are saying that upfront. **A218**

Q36 Martin Horwood: Is this proposal what you have got?

Mr MacDonald: We believe this system has a number of deficits and defects within it and I think the Government would be hard pressed to achieve its own objectives through the system that it has set out **B2**.

Q37 Anne Main: Without going down a whole list of the deficits, do you think there is a risk that the PGS will turn planners into tax collectors? As you say, some parts of land would look immensely attractive in terms of if you could see yourself with a bit of a deficit in terms of a hospital, or a road, or whatever it is. Will that pervert their role in development? Will that mean that they are looking at the purse rather than what is best for the community?

Mr MacDonald: We would be certain, of course, as the RTPI, the professional body, that planners would fulfil their professional obligations. We have long argued, even with section 106, that the revenue generating function needs to be separated from the planning function. I will go back to a previous question, very briefly, about the ability to deliver affordable housing and the necessity to do it on site. One of the ways of doing that is through very strong policy guidelines, not only the funding guidelines, but very strong policy guidelines. We are meant to be creating sustainable communities, which means a sustainable community on a site. We need to strengthen the policy guidelines as well as doing this through a funding mechanism **A21**.

Q38 Anne Main: You said the revenue function is separate from the planning function. Are you envisaging a whole new tier of inspectors or people who are going to administer this? Is this a whole new subsection of Government?

Mr MacDonald: I think that is inevitable in any new taxation system even though it is self-assessment. We know within the normal taxation system, a large part of that is self-assessment but we still have a significant number of civil servants dealing with the existing taxation system **B22**.

Mr Amos: In the 1980s when town and land tax came to an end, the estimated collection cost was between five and ten per cent of revenue, so although it is serious, it is still a relatively small percentage. I think the separation of policy functions and the tax collection functions are probably best handled by the Valuation Office Agency that already have this land valuation expertise in handling the collection rather than local authorities. The consultation paper is seriously defective in not giving local authorities that reassurance about what happens to the revenue. We do not see the need for local authorities to be collecting the Planning Gain Supplement but we think the consultation is defective in not giving assurances about what local authorities would gain by way of revenues **B215, B23**.

Q39 Anne Main: Is it centrally collected and honestly given back 70 per cent of it?

Mr Amos: Yes.

Q40 Mr Betts: There is one further issue which I am concerned about, and this is the issue of trying to determine what the value of the land is before it gets its uplift so it is going to be taxed. There are two issues. It is difficult enough to determine what the value of land is before permission is given but if there is, as I understand there is, a serious intention to take that value to include hope value, is that not going to be a very difficult mechanism to deal with? Secondly, is it not the case that in looking at the value of land before the public authority changes the potential value, it is not the giving of the permission for the individual site that is the important stage - and that is where I understand the current value is going to be determined - but say at the strategic development framework stage where the zoning of land may be changed from industrial or agricultural to residential, that is the real point where the uplift takes place and that is not going to get taxed under the system, is it?

Professor Hennebury: I must admit reading the consultation I was not clear. It depends on the statutory definition of existing value and planning value which I was uneasy about myself for precisely the reasons you say **B215, B22**.

Q41 Chair: If you are saying the definition in the consultation paper is not clear, what would you suggest the definition should be, notwithstanding the fact that you are not in favour of it anyway.

Professor Hennebury: It depends what you want to do, if you want tax development value, that is defined normally as the difference between existing use value. If it is agricultural land, for agricultural use and a new alternative use for which planning permission is granted, such as housing, the issue of hope value would not come into it if that is how you define it.

Q42 Chair: Can I clarify the example that Mr Betts was giving, if you have got agricultural land which is designated in the local plan to be suitable for residential development and then, subsequently, a planning application is put in. At which point do you think the value should be captured? Where should the start point be?

Professor Hennebury: I cannot say. The point that you choose depends upon the objective which you have.

Q43 Chair: Which would you choose?

Professor Hennebury: If you want to maximise revenue then you would define the start point for the uplift to be "existing use value". You create all sorts of problems by that because people will be trading in land on hope values, for example, which will be considerably higher but there may not be any permission or zoning. People will trade white land, which is land with no planning allocation, with considerably higher values than existing use value if they think there is a chance of being allocated. It is an absolute minefield **B22**.

Q44 Chair: Do they not do that already?

Professor Hennebury: Indeed, yes but, of course, now because there is no tax developers are doing this on the basis that they factor in the risk of not achieving planning permission which affects the price they bid.

Q45 Chair: Does the TCPA want to comment on that particular question?

Mr Amos: Only that these valuations, yes of course they are complicated but they are carried out on a regular basis already by surveyors and so forth. In the past that did not seem to be a show-stopper in terms of the operation of this kind of taxation.

Chair: Thank you very much indeed.

Witnesses: **Ms Liz Peace**, Chief Executive, **Mr Mike Gunston**, Director and Chief Surveyor, British Land Corporation Ltd, British Property Federation, **Mr Louis Armstrong**, Chief Executive, **Mr Chris Hart**, Vice-chair, RICS Taxation Policy Panel and **Mr Ted Westlake**, Chartered Surveyor, Edwin Hill Chartered Surveyors, Royal Institution of Chartered Surveyors, gave evidence.

Q46 Chair: Can we start off by you briefly explaining who you are starting from my right?

Mr Gunston: Good afternoon. I am Michael Gunston from the British Land Corporation helping with the BPF today.

Ms Peace: I am Liz Peace. I am the Chief Executive of the British Property Federation which represents the commercial property industry.

Mr Armstrong: I am Louis Armstong. I am Chief Executive of the Royal Institution of Chartered Surveyors which represents all sections of land property construction with 110, 000 members in every aspect of public and private real estate.

Mr Hart: I am Chris Hart. I am a fellow of the Royal Institution of Chartered Surveyors.

Mr Westlake: I am Ted Westlake. I am also a fellow of the Royal Institution of Chartered Surveyors.

Q47 Martin Horwood: Can I ask you to start by expanding on how you think the proposals for Planning Gain Supplement are going to impact on different kinds of development and I draw you specifically to brownfield against greenfield and commercial against residential.

Mr Armstrong: May I start with that. The general view is that we would find every aspect of the Government's proposals to fund infrastructure through some form of tax to be a very good thing for society. The difficulty is in the detail. I think as far as greenfield is concerned, the classic case of a farmer selling land and the uplift being something that should be taxed is not as simple as it sounds. I am going to ask one of my colleagues to address that point. As far as brownfield is concerned, it sounds attractive to have encouragement for brownfield development by some form of differentiation of any taxation on brownfield but, again, it is not as simple as it sounds and I am going to refer that to the expert. The same is the case when we are trying to find out ways in which we can deliver the Government's objectives through some form of tariff arrangement or some form of supplement which would generate the infrastructure needed to go with development **B21, A29, B3.**

Q48 Martin Horwood: Precisely on the differential rate, given that the differential rate for brownfield sites presumably is at a lower rate, would that mean that you would get less revenue and, therefore, it would become more and more a greenfield scheme?

Mr Armstrong: I think the risk is that you would have unviable brownfield schemes so that it would not get done at all because the viability is marginal at best and if there were not some form of differential treatment, you might find you would get no revenue because there would be no development **B21**..

Q49 Martin Horwood: Surely if it is a percentage uplift tax, marginal sites would have very little uplift and therefore very little tax, is that not the argument against that? The main problem is that effectively it would have no revenue value so there is a financial incentive to develop greenfield sites both for the Treasury and the local authority that was going to benefit from this.

Mr Armstrong: That is certainly the risk. There is a real risk that the Government's objective of generating more housing on brownfield sites would be hindered rather than helped by a Planning Gain Supplement. There is no doubt about that in our view.

Q50 Chair: Is that the BPF's view as well?

Ms Peace: I should say our members, on the whole, do not do wide scale development on greenfield sites and the original Kate Barker proposal looking at housing development on greenfield was something that we did not see as being hugely applicable. What we now have is a proposal which it is suggested will apply across the board to all development including the sorts of things that commercial developers do, which tends to be buying a site with a building on it, knocking it down and building a better building that will yield a bigger income. When you try and apply this concept of a Planning Gain Supplement based upon an uplift in value to that sort of development, in our view it becomes hugely complicated. We think it will bog the process down in complexity around the issues of valuation, that you will end up with delaying payment from the site, if you ever get it at all, it may reduce it in some cases and it will not facilitate the provision or the necessary infrastructure **B22, A218**

Q51 Martin Horwood: We will come back to those detailed questions but can I draw you back to the original question which was about the impact on greenfield and brownfield and also residential against commercial.

Ms Peace: In terms of an impact, I have no doubt that this will, if you apply it to a commercial development, deter an element of commercial development. People will find it disadvantageous to be dragged into the whole PGS system when they are looking at doing a commercial development. What we will see is a slowdown in the sorts of development we want to see from our members' perspective in urban areas. British Land will be put off doing developments like this **B219.**

Mr Gunston: It is absolutely feasible and it will certainly slow down the process. That is the issue that one has to be concerned about. **B23**

Q52 Anne Main: You mentioned the differential between the valuation of the site with the old building on and the site with the new building on. Who do you envisage will be doing the valuation?

Ms Peace: I am going to defer to our valuation experts on the right. Effectively, the current owner under the system being proposed has to work out what that number is going to be and have it certificated by his valuer and put it forward. This is not a precise science and you said you wanted to come on to that later, but the scope for disagreement around that is huge.

Q53 Anne Main: I want to park that a bit. Talking about the differential between the sites, if the Government does treat brownfield sites differently would you like to give us a definition of what you think a brownfield site should be considered to be and, after that, can I ask you to consider should there be a difference between brownfield and contaminated land? If there was, do you think there would be even more hurdles being introduced into the system?

Mr Westlake: The first question is a widening of the definition of brownfield.

Q54 Anne Main: What would you consider to be an acceptable definition of brownfield? Do you think there should be a differentiation between that and contaminated?

Mr Westlake: Obviously we take brownfield to be synonymous in the Green Paper with previously developed land, i.e. land which has previously or actually has a building or permanent structure on it.

Q55 Anne Main: And its curtilage?

Mr Westlake: Yes, indeed, its immediate curtilage. It would not necessarily be the whole area that you would want to develop. It needs to be wider than that because there are all sorts of moribund tracts of land in this country, old mineral workings, waste tips and so forth, that have not been remediated as such and look pretty bad. We call them brownfield but they are not technically brownfield. I think they would need to be swept into that particular pot, that is point number one. Should there be a differential, is that what you are saying? **B21**

Q56 Anne Main: Should you differentiate between brownfield and contaminated? If so, what would you suggest should be done but then would that make more hurdles and more complexity?

Mr Hart: It is difficult to differentiate what you mean as contaminated. We already have land remediation relief which relates to a tax break on land which has to have remediation to make it developable so long as the work carried out on the land is not work that we carried out as part of the development as a whole. A classic case here is the removal of asbestos in an existing building. The way you have to remove asbestos, take it off site and dump it on hazardous waste sites, is something on which you can already get land remediation relief. It is quite hard to draw the point at which you say something is contaminated and is not contaminated. We know when something is sufficiently contaminated to predicate against a particular form of development but trying to draw a differentiation between brownfield and land that was then contaminated on brownfield would be pretty difficult **B21**

Mr Westlake: Basically, I think the point is the purpose of that is presumably you are saying you want something that will help encourage brownfield development.

Q57 Anne Main: I am not saying anything. I want to know what you want.

Mr Westlake: Fair enough.

Q58 Martin Horwood: There is a site in my constituency which has large gas bullets in which are removing from possible development use a large area within an urban area which otherwise would be very good for both housing and commercial development. It is not exactly contaminated but certainly it is not appropriate for residential development at the moment. Is that the kind of area that you think would be appropriate for PGS revenue to be used in remediation work if that can be converted?

Mr Hart: The way that we understand, it is proposed to calculate PGS revenue would be on the uplift of the value of the site at the point of the gaining of planning consent. When you ascertain that value you would take into account the development cost of the site. If you had to remediate the site or remove contaminated material, those would be taken into the costs. The bigger the costs of development, the more difficult the development and the lower the uplift. It is, to a certain extent, self-balancing. There is a lot of land in the UK which is redeveloped using central Government or EU grants where the basic concept is that the land value does not increase as a function of the planning consent.

Q59 Martin Horwood: It would be a very brave developer who took on that kind of site in its current state.

Mr Hart: Places like Tyne Valley in Newcastle are ones where this happens but supported by EU grant.

Mr Westlake: The big difficulty of that is a brownfield site such as that may well not have a very high value for development, it may have a very low uplift, it may even be "negligible" therefore it is not going to be self-sustaining on financing in terms of providing money for its own infrastructure, that money under the PGS system is going to have to come from the central pot. The big problem is, and it is really the cardinal concern that we have, if central Government is collecting the money and redistributing it, how, when, why and where will it be spent? Your brownfield site might be waiting an awful long time because it is not self-sustaining in its own PGS. That is your big problem. With the greatest respect, this is not a political case for one second but there is a concern that public sector provision and control over infrastructure provision could well lead to uncertainty and delay more so than when the private sector is able to do it and seek to provide it. That is the big problem for brownfield land; any major development land but particularly brownfield if that is what you are asking about **B21**

Q60 Mr Olner: Just a quick supplementary connected to a question that I asked the group giving evidence before. Do you favour any exemptions for the quarrying industry, for the minerals industry or for the sports industry? The Barker Report only spoke about housing but this planning thing is going to be all-embracing. Do you think we ought to stick to housing?

Mr Westlake: Anything that is an exemption for any category of property or development spells distortion in the market, it spells favouritism of one type of development over another. We do not think that is particularly desirable.

Q61 Mr Olner: A simple yes or no to stick the Planning Gains Supplement to housing only.

Mr Westlake: It would be a nice idea in one way but you then have problems in mixed use development. Where does your housing begin or end in apportioning values, et cetera. It is rather uncertain and airy fairy, I am afraid.

Mr Hart: I think the answer as far as I would be concerned would be no because a lot of development now is mixed, particularly in the areas you are talking about, for example sports development. A sports stadium will often have a great deal of infrastructure around it. It may have residential but it usually needs commercial to make it pay for itself. Once you get into composite development it is very hard to split out what is and what is not exempt. As a generality, I would say the answer to the question would be no. **B223**

Q62 Chair: Ms Peace, firstly, to pick up on something you said before, which was you seemed to be suggesting that land values would be extremely difficult to value, although my understanding is valuers are doing it all the time on complex sites, why did you think that would be so complicated for commercial brownfield sites? Secondly, I understand your position that you would prefer commercial sites not to be within this at all but if they are going to be covered by PGS, how does PGS disadvantage commercial development when it would be taken into account in the land price and how do you think the proposals should be modified in order to ensure that commercial development is not unduly disadvantaged?

Ms Peace: In terms of commercial development quite often you would not be looking at a purchase, you would be looking at a developer who has owned a site for a length of time and decides at some point in his ownership of it to redevelop it. In the whole development process you would then, through a PGS system, be taking quite a large chunk of money out of the site just at the time when it was probably not very helpful to the viability of the actual development. Mike will expand on a typical type of development site. We do not think PGS is the sensible way to extract the contribution for infrastructure, it fundamentally misunderstands the stages at which value is added to development in commercial development sites and there are other better ways of extracting the contribution to infrastructure, which I would have to stress we do not dispute. We accept that development needs to make a contribution but we feel that PGS is the wrong way to do it. I am sorry, I have forgotten your first question **B219, B21, B22.**

Q63 Chair: Why you thought that valuers would have such a problem in valuing property when they do it all the time.

Ms Peace: Can I defer that to one of our valuation experts here because of the technicalities, a quick survey.

Mr Hart: One of the real sticking points from a valuation perspective is an assumption to be made that everybody is freehold with vacant possession. That is a major sticking point because we are not valuing what is there, we are not valuing the leasehold interest, the interlocking interest, the marriage value between the various leasehold interests available to the freehold, we are valuing on a presumption that it is freehold with vacant possession. An extreme example of where this would predicate against the potential developer would be a farmer looking to diversify who might have a three-year tenancy, he might be half way through a rolling three-year tenancy and he wants to redevelop some outbuildings for offices or for holiday homes or cottages. He does not have a freehold interest with vacant possession. Therefore, PGS applied to the small-medium sized enterprise which had a leasehold occupation could prevent development because of the presumption in valuation that you have a profit which you can grasp. On the other three year farming tenancy you do not have a freehold, you could never realise the freehold value **B22.**

Q64 Chair: Mr Gunston, would you like to give an example of how a complex commercial development works?

Mr Gunston: I was going to say that there is another twist to that as well. The presumption in the consultation paper is that the granted planning consent will lift the value but you may not have the frontage of the site or whatever, you may still have to acquire it, so there will be a lot of value tucked away in that particular interest still to be acquired. There is somewhat of a presumption in the proposals as set down so far. It is true also that we do not necessarily go out as an industry and buy buildings every time. Quite often they are within a portfolio for an established period. We have examples in our organisation where we have developed after 30-odd years gradually acquiring interests. If you have got to that stage, the addition of PGS might distort the equation, the risk factors may not have been included in that example.

Mr Armstrong: If I can interject before I come back to the residential point that Martin Horwood made. Ted Westlake, who has written a book on development land tax based on the previous 50 years' experience, could demonstrate, and we are happy to submit more evidence on this, how difficult it is in practice and how previous attempts at some form of capture of uplift in value have failed partly because it did not have all-party consent and partly because of the difficulties and long lengthy process of advisers conspiring with each other over these sorts of issues, valuation in this case being more an art than a science. Might I come back to Mr Horwood's point on residential. Although Kate Barker had hoped that there would be much more development land coming forward for housing, and affordable housing would be made easier and there would be more of it, everything we hoped for, in practice the RICS's view is that there would be disincentives to bring forward land and the extra costs of PGS that would not otherwise have been paid under the existing regime where so many smaller developments are below the threshold for section 106 tariffs, would then have to add the cost to the housing. Therefore, not only would you not get a lot of land coming forward, as Kate Barker had hoped, but you would also run the risk that housing itself would be more expensive because of the additional cost of the tax, so it would not seem to the RICS to be a natural way of achieving that particular residential objective **B220, C211.**

Chair: If you want to provide additional evidence can I suggest that more helpful than a detailed history of the debate would be some positive suggestions as to how the PGS could be improved.

Q65 Lyn Brown: Can I ask why you think it is so important to retain the link between the developers' contributions and the provision of infrastructure at a local level, and can I also ask what you think would be a reasonable or acceptable amount for the Government to obtain to invest in national infrastructure projects?

Ms Peace: Shall I kick off on activity and then again I will ask Mike to come in with specific examples? This is speaking now very much from the commercial perspective. When a commercial developer or a commercial landlord wants to do a development he almost inevitably meets a degree of opposition in the area in which he wants to do it. After prolonged negotiation usually a deal is reached and as part of that deal there is a section 106 payment which brings some amelioration of the impact of the development to the local authority, so that the local authority which is going to feel the effects of the development also gets the benefits of the development and the developer himself will almost certainly have a hand in providing that degree of mitigation and that infrastructure. The whole thing means that at the end of the process - and not everyone is perfect, I hasten to add - there is a degree of win/win: the developer gets his development, the local authority get the amelioration and it is done within a timescale that both parties can agree. Then a few years later the developer comes back again for another tranche of development and the inclination of the local authority is to think that this chap means well, he is okay, he has got the local interests at heart, so you create a sort of community of interest between developer and local authority. If you break that link, if local authorities cease to receive back the full benefit arising from the development that has been done, they are going to be less inclined to favour the development and we certainly envisage from the commercial development perspective a lot more contested developments, a lot less development, a lot less rebuilding of our somewhat derelict town centres and also a delay in the provision of any infrastructure that is agreed because it is all going through this loop through central taxation. **A11, A16**

Mr Gunston: There is an undoubted nexus between the development company and the individuals, the local people, where the development might be situated. There are undoubtedly out of that discussion all sorts of advantages that the community might extract out of the scheme have a degree of appeal and I think, as Liz Peace says, that there are extensions. We have ten-acre sites, we have larger sites, but there is frequently the question of going back to renegotiate a new scheme, an additional scheme, for an extension or whatever, and I think that out of that relationship it is undoubtedly much smoother. If that debate is removed, or largely removed, I do really see that the process will be slowed down. I guess above all the biggest concern is that if there is this central pot of money the recirculation of it to that community has commercial ramifications as well largely because, if it is being negotiated at the locality within the scheme, often a lot of those improvements that have been negotiated will be undertaken by the developer. If the funds are coming out of a central pot and then getting redistributed there is a question of timing as to when those items are delivered and it could have a very serious slowing down effect on the development process going forward **A11, B23, B220**

Q66 Chair: Evidence that we have received before you got here, from the Treasury, is the absolute opposite, that the national infrastructure fund could precisely forward-fund and that the difficulty with section 106 is that the development has to be complete before the infrastructure can be funded. Would you not accept that that is as likely as your experience?

Mr Gunston: If the process was pump-primed and there was a substantial amount of money therein going forward which could be then utilised straightaway, that undoubtedly would be of assistance and would overcome a degree of the timing issues, the commercial issues. **B221**

Q67 Lyn Brown: You did not tell me what percentage you thought would be reasonable to take out of the Planning Gain Supplement and put into national projects, but the second thing I think I heard you say was that you fear that commercially there will be less profit for the developer because the infrastructure that might be accrued by the Planning Gain Supplement would not be undertaken by that specific developer but the business might go elsewhere.

Mr Gunston: I apologise if I gave you the impression I was even alluding to profits. That was furthest from my thoughts. It was purely the deliverability: if you had got a scheme that was dependent on a piece of infrastructure, a new roadway or something that had to go in before the scheme was built, and if that roadway was not delivered, whereas the developer in the present situation would probably build a road as a preliminary and then move forward. What I am suggesting is that under the proposals, as I understand them, that may not be the case and the timing is not spelt out in the paper as to when it might become the case **B221**.

Q68 Lyn Brown: A percentage is an answer that I would like to hear, but the second question is, you have talked about how important it is to have local relationships, local partnerships for ongoing projects for speed and ease when the project is on the table. Do you think that could be in any way constrained or made more difficult by the money going to the regional authority rather than the local authority?

Ms Peace: Yes. For as long as the local authority are the planning authority and decide the planning applications they will find it equally difficult if the money is hauled back into the regional level. There is not a great deal of commonality of interest between the tip of Cornwall and what is happening in the suburbs of Bristol, for example **A11, B23**

Q69 Mr Olner: You are absolutely right but it has taken several years to get section 106 arrangements into some sort of order and some sort of recognition. Is it going to take as long to get the new arrangements into order?

Ms Peace: We would rather we did not proceed with the new arrangements.

Q70 Mr Olner: So you do not want the new order to go forward at all?

Ms Peace: We do not want Planning Gain Supplement at all. We would like to see an amalgamation of building on the improvements that have started to be put in place of section 106, and they have barely had any time to take root, together with, where appropriate, the development of a tariff based option, so we would rather not have PGS at all **A3, B3, C3**

Q71 Chair: Is that predicated on the basis that PGS would not raise any more money than 106?

Mr Westlake: It would have to **C21**.

Q72 Chair: Is your view predicated on -----

Ms Peace: It is predicated on the basis that it would take a lot longer and be more difficult to raise a sum equivalent to or even bigger than section 106, and therefore the development process, for instance, would be slowed down **C21**.

Q73 Chair: What is the evidence for that?

Ms Peace: The simple practicalities of how this scheme, that we have seen only very roughly outlined in the consultation document, would work in practice and the knowledge of how difficult it is to arrive at an agreed valuation. It does not have to be done at the moment.

Mr Westlake: In terms of the valuation process and why I do not think there can be a fixed proportion, to go back to your question, you will not know for several years if the scheme comes what your tax take is going to be and what your infrastructure costs are going to be. You could have quite a lot of development which, taking the brownfield site, is not self-sustaining off its own bat in PGS terms, and therefore it will be several years before you know that you could have deficits in certain areas and you could have surpluses in certain areas. To give a very quick example, if you are planning a tax take based on largish schemes as being the prime sources of revenue, take, say, King's Cross, the London Olympic site, when that starts development how are you going to value that if that comes under the new regime? It is very uncertain what the tax take is going to be, and however they work their figures the fact that the Treasury is working on a valuation based scheme rather than anything related to actual sales or disposals where money changes hands and you know what values and prices are is where you get your big difficulty **B22**.

Q74 Mr Betts: This almost makes an assumption that everything is fine now, is it not? There is no problem with section 106 agreements. Developers never ever complain about the delays that happen with them. Is that not one of the reasons this is happening, because of all the complaints about 106 agreements and the amount of time and the inconsistency between one authority and another?

Mr Armstrong: I think there are special solutions. If one is looking for a better way of funding infrastructure, which we all agree is needed to provide the houses we all agree are needed, using methods to make it as certain and transparent and fair and quick as possible, we believe, and I think the BPF do as well, that it would be better to have a closer look at further improving the section 106 agreements, helping the local authorities who do not have experience in making a really successful 106 agreement with developers, extending perhaps the 106 remit a bit more widely, and then you have a direct relationship between the infrastructure needed and the money being provided locally to provide that infrastructure. PGS will have no direct link between the money raised and the cost of the infrastructure, and whilst the Treasury can be optimistic at its ability to hypothecate, ring-fence and distribute quickly centrally, regionally and locally, I do not think those in the market place with previous experience of the way the funding of infrastructure has worked will think that that is a likely runner. It is not a better solution. The better solution would appear to be to allow further consultation on 106 and the Treasury in its consultation paper has not allowed for that possibility, to see whether, with more detailed modelling, that could be made to work to satisfy local authorities that they will get the infrastructure directly funded within their remit - and the nexus point is important - and to try and make sure the Treasury do not take an over-optimistic view of the realities of providing the funding through the mechanism that they have raised **D11, B112**

Q75 Mr Betts: Let me just come back on that. I suppose the argument might be that just having a tax, paying a sum of money out, might actually be easier for developers and not having a minute to argue about how much contribution they make to a 106 but the nature of it. We do not think things can get bogged down in those sorts of detail. Just coming back further on what you have just said, is the implication there that by improving section 106 we can get more contributions from developers out of it and, if it is, that is probably a slightly different view than the BPF would have of the situation.

Ms Peace: If I can pick up both that and your earlier point, yes, indeed, it is true the industry has complained extensively about the way section 106s are handled, but there is a huge amount of difference between local authorities who handle it well and local authorities who handle it badly and a great raft of local authorities who do not do it at all, so there are quite a lot of developments that are probably of a size such that there could legitimately be some degree of section 106 where it simply does not happen. I believe there is a study that has been commissioned by the Government looking at the scope of section 106. We did one of our own about five years ago so it is substantially out of date, and I think we found that there were only about ten per cent of developments that actually did attract a section 106 negotiation and settlement. I think there is scope for huge improvement. I think also the reforms that have been introduced to the planning system through the Planning and Compulsory Purchase Act facilitate that by requiring a greater degree of strategic planning and thinking up front when you are planning for development in an area. If indeed you are going to do that and a local authority is going to do it well that makes it a lot easier to start thinking strategically also about the infrastructure you need and how you can then allocate the costs of that infrastructure, thereby turning your section 106 effectively into a form of tariff, but I would stress a very flexible form of tariff; I do not think we want a rigid five pounds per square foot across the country. That would not work. It has to be tied to local circumstances, local strategic planning, local development, local infrastructure needs, so I think basically what we are saying is that you carry on with the improvements to section 106 and perhaps accelerate those improvements and look at imposing a greater degree of strategy on how it is developed **D11, B12, B13,** .

Q76 Mr Betts: But again we come back to the point: does that mean getting more value for the taxpayer for local authorities out of that system? Presumably we are not suggesting that the authorities that do 106 well should get less money in the future and those that are not doing it should get more?

Ms Peace: Absolutely. There is capacity for more to be negotiated out of the system, yes **D11**.

Q77 Chair: Can I ask a very specific question on one of the RICS proposals? You suggest on PGS that it should be assessed at the difference between planning permission value and 120 per cent of current use value rather than 100 per cent. Can you briefly explain the rationale for that?

Mr Hart: Yes indeed. This in fact is one way of imposing a *de minimis* provision, by uplifting the CUV. This was the way it was done for DLT and other taxes of that nature. It allows the marginal schemes to drop out. We talked about brownfield land earlier; heavily contaminated brownfield land could be the point. As long as there is a sensible *de minimis* limit then it would be a lot easier to work the tax. There are a number of ways of doing it but one is to take 120 per cent of CUV or a similar figure, and another one is to have a tax based *de minimis* limit, to say that if the tax payable is less than a figure then it falls out of PGS, because you get into valuation margins where it becomes very hard to prove whether or not some of the uplift is taxable or not. The valuation margins should be probably on a situation like this plus or minus ten per cent, and valuations done on the basis for taxation valuation generally used by the Valuation Office Agency on big and complex estates can be plus or minus 30 per cent, and this was discussed during consultations in 2000.

Q78 Anne Main: Just on that point, the *de minimis*, we were given advice earlier on that the *de minimis* level being considered possibly was down to a single unit. You could possibly be even thinking of a large extension. I do not know if that would be captured by a single unit, transforming a two-bedroomed house into a four-bedroomed house. Do you have a view whether that would cause more chaos to the system if we did go down to a *de minimis* unit or even large extensions on individual units?

Mr Hart: We found during the consultation process that the position was changing all the time. Originally it was small home improvements that would be omitted and then it got to be all residential improvements would be omitted. It is very difficult when you get into small valuations to make them stick. If somebody had a house, for example, worth £500,000 with a single garage, and they demolished the single garage and put a very splendid double garage there, reworked around the front of the house, put in new parking areas, generally speaking smartened the place up and spent £50,000, they would need the planning consent to put the double garage up. They have spent £50,000 in expenditure. The house is now worth £575,000. Is that £25,000 gain due to the planning consent or the expenditure and works that have been carried out? You have got an immediate argument. If you are too tight on the uplift for planning gain it will be very hard to sustain the valuation argument **B22**.

Anne Main: Yes, I can see that.

Chair: We are really running up against time. There is one more major question.

Q79 Mr Betts: Looking at the issue of current use value, and we have been told before that that is going to include an element of hope value, is that not going to be incredibly complicated?

Mr Westlake: We assume you are actually not going to include hope value in current use value as drafted.

Q80 Mr Betts: This is not the information we have been given.

Mr Westlake: The way it is drafted it says no.

Q81 Mr Betts: Right, but if there were to be an element of hope value included would that be a big complication?

Mr Westlake: It would be a valuation complication, yes, a large one.

Mr Hart: It would not be a large complication. It would just make the arguments rather more drawn out.

Q82 Martin Horwood: I feel I need to declare an interest because I have just had my garage demolished. I have a question about the timing of the valuation. Mr Westgate seemed to be suggesting that any system that was not based on real sale values but on valuations was problematic, but the RICS position seems to be that you want the liability for PGS to be established well before development commences. Our information is that the valuation is likely to take place at planning permission stage. Is that something you are in favour of or would you prefer it to be closer to the actual sale?

Mr Hart: It depends what you mean by planning permission stage, because this is something else that came out during the consultation process. As drafted, it suggests that it is a full planning consent, which will be that all reserve matters have been agreed. Reserve matters can often not be agreed until the end of a development, or ever in some cases, so on the basis of how it was originally drafted we took the view that we had to have a point and we were getting the impression during the consultation that we had now moved to a point where the valuation date would be when sufficient planning consent had been achieved in order for development to commence, which is a different ball game.

Q83 Chair: Would that be acceptable? Would you prefer that?

Mr Hart: As we pointed out, if you had to wait until complete planning consent was achieved it might be after the development had occurred, in which case there would be no planning application.

Q84 Chair: So you would prefer it?

Mr Hart: We pointed out that it would not work in the way drafted.

Mr Westlake: In other words, I think what we are saying is that you should have several tax points, not just one tax point, not just when you start development as your date for due payment with a retroactive valuation date to when you had planning permission. It should be at the time of sale or disposal by the landowner to the developer and then onwards **B22.**

Q85 Martin Horwood: This seems to be so likely to create a lot of work for chartered surveyors that I think you ought to be available.

Mr Armstrong: It is a planning interest, not necessarily of any particular sector.

Q86 Martin Horwood: If we link it to the commencement of work, as Mr Hart just said, what if you do not commence the work? What if you just get planning permission and sell the plot with planning permission?

Mr Hart: As drafted, you value at the point the planning consent is achieved and then, a bit like the way stamp duty and land tax now work, you effectively buy a development certificate by paying the tax at the point of development, which is something we do not agree with, by the way, because it means that you would go into the commencement of the development with having an uncertain tax liability, which the bankers would not fund. Yes, we have been commenting on the way it is drafted, not necessarily the way we suggest it would be done. **B22**

Chair: I am conscious that we could go on and on for hours but we cannot because we have another evidence session. Thank you very much indeed.

Memoranda submitted by Milton Keynes Council, the South East Regional Assembly and Nottinghamshire County Council

Examination of Witnesses

Witnesses: **Mr John Best,** Chief Executive, and **Ms Jane Hamilton,** Chief Operating Officer, MK Partnership, Milton Keynes Council, **Councillor Keith Mitchell,** Chairman of the Assembly, and **Mr Martin Tugwell,** Planning Implementation Director, South East England Regional Assembly (SEERA), and **Ms Natalie Dear,** Policy, Performance and Development, Nottinghamshire County Council, gave evidence.

Q87 Chair: I am sorry for the slippage in time but, as you will have seen if you were in the evidence session, we were enjoying ourselves. Could we start off this session as before, if you would not mind saying who you are?

Ms Dear: I am Natalie Dear, Nottinghamshire County Council Strategic Planning.

Ms Hamilton: I am Jane Hamilton. I am the Chief Operating Officer for Milton Keynes Partnership Committee.

Mr Best: John Best, Chief Executive of Milton Keynes Council.

Councillor Mitchell: Keith Mitchell, Chairman of South East England Regional Assembly and Leader of Oxfordshire County Council.

Mr Tugwell: I am Martin Tugwell, Planning Implementation Director with the South East England Regional Assembly.

Q88 Chair: Do not all feel obliged to answer every question; otherwise we will never get down the list. To what extent do you feel that the Government's consultation on the PGS proposals has been undermined by the fact that no proposal has been made for the rate at which it would be levied?

Councillor Mitchell: I think, Chair, that gives us an opportunity to make some suggestions and so I am not entirely unhappy about that. It makes one feel that there is some flexibility. I have listened to the rumour mill and I have an idea of what the rumour mill says it might be and that sounds a fairly sensible level, so I think we need to keep it low. The figure I have heard bandied about, the VAT rate, up to 20 per cent, feels as if it might work because there is history here when high rates have led to subsequent abolition and I think we need to remember history if we are going to take this Planning Gain Supplement seriously.

Q89 Chair: Is that based on research that SEERA have done that you are suggesting 20 per cent?

Councillor Mitchell: No, I am sorry. That is the Westminster rumour mill.

Chair: The Westminster rumour mill; okay.

Q90 Martin Horwood: Twenty per cent is a low rating.

Councillor Mitchell: It is compared with previous attempts to introduce development land tax, as I understand it.

Q91 Chair: It was 100 per cent. Is that generally speaking the view of the rest of you?

Mr Best: Chair, could I offer a Milton Keynes view, which is that we are against the principle of the Planning Gain Supplement because we think that the tariff that we worked up jointly with Milton Keynes Partnership is a much more effective mechanism, so our preferred rate would be zero, for reasons that we can go into in the context of how the tariff would work.

Q92 Chair: We will come later if we may to why you think the tariff is great and I am not going to ask it; somebody else is, so can we put that to one side?

Ms Hamilton: Chair, I think the extent to which there is no predetermined rate does cause some difficulties in terms of certainty in the system. Certainly in talking with developers that we are working with at the moment that is one of the main concerns, that it is very difficult to make any comparisons with any alternatives, whether it is a tariff or whether it is existing section 106, in the absence of any clear information on the level of the rate that might be set **B24**.

Q93 Mr Betts: Have you got a view when you come to collect Planning Gain Supplement as to what proportion should be retained locally if that is the sort of system we are going to end up with and what should be distributed through the national pot? There is some nodding of heads that someone wants to contribute to the debate.

Councillor Mitchell: The Regional Assembly has given a cautious welcome to this consultation and it is on the basis that 100 per cent will be distributed locally; none will be taken by the Treasury, and our view is very clear, that this should be a low tax and a local tax. I am going to give you some mnemonics during this discussion and the first mnemonic is KILL: keep it low and local **B210, B25**

Q94 Chair: What do you mean by "local"?

Councillor Mitchell: I think it should be collected by the authority that issues the planning application and section 106 works very well in two-tier areas - well, it does in the ones I know - in terms of the distribution and the negotiations between the county council and the district council because the district council grants planning application, the county council take most of it for its schools and highways, and I believe if the section 106 can work in terms of the allocation then a Planning Gain Supplement can. There is incentivisation here. If planning permission is seen as getting funding there is strong incentivisation for the local authority and, given where I come from, my party's national stance on Planning Gain Supplement is not the same as mine, one of my views is around the incentivisation that it brings **A21**.

Q95 Martin Horwood: Is there not then a huge problem that some areas with overwhelmingly greenfield sites with large amounts of uplift and therefore large amounts of revenue will raise pots of money for this and local authorities which have predominantly brownfield sites with little uplift will raise almost nothing?

Mr Best: That is a very good point and I think you can probably test it, although not yet, in Milton Keynes because Milton Keynes has got a much higher proportion of greenfield than elsewhere.

Q96 Martin Horwood: Does your tariff distinguish between -----

Mr Best: The tariff is applied, and Jane Hamilton may be able to go into more detail, as devised so far is applied to greenfield areas where basically there is a very simple proposition to say that it is a blank canvas with no infrastructure, we there are already, there is nothing to clear away, no community to negotiate or wrestle with, no existing organisations to manage its greenfield. Even in that environment, where we have, through the tariff, increased roughly three-fold the amount of contribution from development, the contribution is not sufficient to cover the costs of infrastructure that would be required to support the level of housing growth. Even in that most favourable of circumstances the tariff and the sorts of levels that we are pitching it at, and we believe we have got as far as the market will bear before starting to discourage development, which would be counter-productive, there is still not enough. I do not have an answer to your point because in all the areas that I can see, not only the greenfields in Milton Keynes but also the brownfields in Milton Keynes and, I would say there is a third category which is existing estates, which do not really count as despoiled brownfield or contaminated land but nonetheless come with a very different mix of costs and liabilities to them, in no case is a tariff or an equivalent level through Planning Gain Supplement plus section 106 going to be sufficient to meet the needs for infrastructure **A3, B3, C3, D31, A311**

Q97 Martin Horwood: Does the tariff differentiate between brownfield and greenfield sites or is it flat?

Ms Hamilton: The way in which the tariff is set up at the moment it only applies to defined expansion areas in Milton Keynes, of which I think I am right in saying there are no brownfield elements at the moment. It does have a remnant of some existing communities but all of the areas covered by the tariff are greenfield. It is set up under the planning powers of Milton Keynes Partnership and our planning powers do not extend to any existing communities and therefore it does not hit on any defined brownfield sites. **B32**

Q98 Martin Horwood: So if you demolish something and replace it on a brownfield site there is no tariff whereas if you build an extra building on a brownfield site there would be a tariff in theory even though there are not many locally, you are saying?

Ms Hamilton: The tariff applies outside of the existing area within Milton Keynes, the existing built-up area. In fact, English Partnerships itself is carrying out various regeneration projects within the built-up area of Milton Keynes, but the tariff does not apply there because the partnership committee is not the planning authority there; the council is the planning authority, and so the tariff which has been quoted a lot is really a broad section 106 agreement but only under Milton Keynes Partnership's planning powers which are in a very clearly defined greenfield area and therefore the question of whether or not this tariff applies to brownfield or to other sorts of projects simply is not there. **B311**

Martin Horwood: Would you like it to be?

Chair: Since we have got on to this can we deal with this now? Lyn, would you like to ask the questions about how the Milton Keynes model might or might not apply elsewhere?

Q99 Lyn Brown: Is there anything more you would like to say about the Milton Keynes model that you have not so far covered and, if so, can you do it now? The second bit is can you tell me if you think it would easily apply to other bits of the country and, if so, why?

Ms Hamilton: It is something that I have not covered. It covers a defined area. That area will include about 15,000 homes and about 500,000 square metres of commercial development. The tariff itself is set at a level which has been quoted at £18,500 per dwelling or about £66 per square metre of commercial floor space. What it does not include, in addition to that, and this is quite relevant in relation to some of the issues you have been discussing, is provision for affordable housing so affordable housing must be provided on top of any payment of tariffs and also free land for schools, open spaces and community purposes must also be provided on top of any tariff payments, so the real cost is around about £35,000-£40,000 per dwelling. It does apply within a defined area. It is very much a broad strategic section 106 payment and it is set against very clearly defined master plans that could be costed up so it is set against a pre-defined planning agenda in Milton Keynes where the costs of growth can be clearly set out. When the monies are to be applied back in to the locality they are divided 50/50 between what is loosely called strategic and local facilities. The local facilities are the normal ones that you would expect under a section 106 payment, such as schools, open spaces, community facilities, and those are facilities within the areas from where the tariff is drawn. The strategic facilities are ones such as higher level strategic transport, higher education, further education and health, the payments that would feed into facilities that operate at the city or town level rather than just within the localities from where the payments are drawn **B311, C33, B38, B39,** .

Q100 Lyn Brown: Can I ask you if you have done comparators with other authorities and what they are getting out of section 106 to see whether or not you are doing well with that investment.

Ms Hamilton: We have done some comparative analysis. It is difficult, I think largely because the level of affordable housing, and in particular the level of social rent housing, varies from area to area and that has a major impact on the costs of development. We have done some comparators and in our view what has been achieved in Milton Keynes probably is a very good level of payment. I think it partly depends on one last point I wanted to add which is the fact that Milton Keynes Partnership is a sub-committee of English Partnerships and via English Partnerships we have secured approval from Treasury and ODPM to provide an element of forward funding which a normal section 106 agreement, via local authority, could not do and that is a big difference between a normal section 106 at whatever level and the way in which the tariff has been set up in Milton Keynes. **D39**

Q101 Chair: I think the key question is how far that approach can be applied elsewhere in the country as an alternative PGS. One of the witnesses that we had before was sort of suggesting that they would prefer the tariff approach across the whole country so if either Jane, John or Martin can clarify that.

Mr Best: I wanted to clarify the question that Martin Horwood answered before about whether it is transferable to brownfields, also clarifying Jane's answer about it only applies on greenfield. Outside the greenfield areas where we have the two types of previously used land that I mentioned, we do start from the same figure that the tariff prescribes but we interpret it in the light of particular local circumstances on that site. There is a particular site that I have in mind where we started at 18,500 and we have ended up, because it has got contaminated land and heritage buildings that need to be restored, achieving nothing unless the income received by the developer on that site proves to be above the threshold **B312**

Q102 Martin Horwood: You effectively discount the tariff for heritage and for contamination?

Mr Best: You discount for extra over costs.

Q103 Chair: That was under your section 106 powers especially?

Mr Best: Yes, it is the same powers. The tariff is under section 106 powers within the MKP area and elsewhere the local authority, Milton Keynes Council, has full planning powers.

Q104 Chair: Without the forward funding?

Mr Best: Without the forward funding, although in that specific case it did have sustainable communities plan funding in order to get it off the ground because of its involvement strategically.

Mr Tugwell: I think our view is the circumstances in Milton Keynes are quite unique. You have primarily one single landowner and a very clear mechanism within which to operate. The progress that has been made with Milton Keynes and its tariff is very commendable. Whatever happens in terms of Planning Gain Supplement should take allowance of the fact that there is a tariff system already in place and should not undermine the work that has already been done within Milton Keynes to develop that. Having said that, as I say, the circumstances there are quite unique. If you look at other locations around the region, you are often talking about areas where there is growth, where there is a multiple number of landowners, a number of deals are going to have to be brought together and that does complicate the situation. Also, there is not the vehicle, if you like, that you have within Milton Keynes where you have a single body that is able to forward fund. That is why within the regional funding allocation document that the regions submitted earlier this year, we identified the crucial part that a Regional Infrastructure Fund would play in allowing the public sector to act as a catalyst to forward fund investment in infrastructure that enables development to come forward that can then be recovered partly in cost terms through a Planning Gain Supplement. I think you need to think about Planning Gains Supplement very much as part of a wider process, one that involves setting up this type of Regional Infrastructure Fund. It also means recognising that it sits within the planning system and, going back to your point about brownfield sites, greenfield sites and recognising that planning is looking at areas much bigger than one individual local authority because we do live and work in different areas. Within regional planning now, you have sub-regional strategies looking at the needs and the issues in a particular sub-regional area and looking to understand what the infrastructure requirements are. It may be, and we have the examples within our region where there are some major greenfield sites potentially going to come on-stream as part of a sub-regional strategy which may indeed generate a substantial amount of uplift but that may need to be used to fund investment and infrastructure in other parts of that sub-region. **A38, B3, , A24, A28, B25, D33**

Q105 Chair: Can you give an example?

Mr Tugwell: The example I am thinking about is what we call the South Hampshire sub-region where we have proposals as part of the South East Plan for two major strategic development areas that are programmed to come on-stream towards the middle part of the plan. These are quite substantial greenfield sites. They will, if you had a PGS system in place, generate potentially quite significant sums of money. Equally there are needs for investment in infrastructure and in support of the urban areas where there is a re-generation agenda where the uplift will not be as great as it would be on the plan on the greenfield sites. You have a strong sub-regional partnership in the South Hampshire area under the name of PUSH - the Partnership for Urban South Hampshire - which is starting to provide a sub-regional delivery vehicle that can work together across regions and local authority boundaries to deliver growth in a sustainable way **C2**.

Q106 Chair: Can I clarify, do you have further documentation of this idea of a Regional Infrastructure Fund that you can provide us with?

Mr Tugwell: I have brought along copies of some work that we had commissioned by consultants looking at the scale that might arise as a consequence of PGS. In broad terms the work that was undertaken indicated that making some reasonable assumptions you could look at a PGS system in South East England generating something in the order of about £4 billion over the 20-year period covered by the South East Plan. In comparison, the consultants estimated that a section 106 approach may generate about £1 billion, so there is about a four to one difference there. We have also got some additional work under way at the moment looking at the relative merits of local versus central collection of a PGS system. That work is under way at the moment, it is scheduled to report by the middle of May. We can make that available to the Committee as well if it so wishes.

Chair: Can I ask that you leave that document with the clerk and that we get a copy of the other report when it comes through.

Q107 Lyn Brown: I have heard from Mr Tugwell what he thinks about the transferability of the Milton Keynes Programme. I would like to hear from Milton Keynes whether or not they think that their programme is, in fact, transferable to other areas?

Ms Hamilton: I think there are two fundamental differences in terms of transferability elsewhere. One is that we are working with a number of landowners, not just one but a consortium and they are a known quantity, they have been working with us very positively. The difference in trying to apply it to other areas where there could be much more of a patchwork quilt approach is it would be very difficult to identify all the landowners, all the various partners and all the various development interests who might be able to contribute to a tariff. It would be quite difficult if you had not got a straight greenfield site or a very big site to develop a tariff approach if you were working with a whole range of very small sites. I think the second one is this whole issue of discounting against abnormal costs associated with regeneration and contamination as compared with greenfield. I would have thought that a tariff elsewhere would need to discount and would probably need to discount if you were dealing with smaller infill sites where, for example, some of the facilities were already there. It could work but it would need to be a lot more complex and it would need to be embedded in the local planning policy in some form so that there was a high degree of transparency and certainty associated with it. **D34, B34, B37, , B312**

Ms Dear: Can I start by making a point in relation to the Milton Keynes tariff and the transferability. As a county council we did not support a tariff-type approach because we think that, certainly within our county, there are so many differences between the different local authority areas and even within the different local authority areas that to have one tariff even across the county would not be able to work in practice because there are too many factors to take into account. What we have been trying to work on is producing a clear formulaic approach, if you like, but even across our county, the Nottinghamshire County Council, we have developed a tariff in relation to integrated transport measures where we collect monies for things like the bus service and improving walking and accessibility. Even then we have got seven different levels of tariff depending on exactly the area and exactly where the development is in relation to, say, the town centre. Even on that one particular issue we have a number of different levels. I wondered also if I might be able to come back to the point about how much of the funding should be retained locally or kept centrally. Obviously on the premise that we would not support the PGS if it was to go ahead, in terms of any monies that were to go back to the local level, we would feel that it would have to at least cover the section 106 monies that we would have been able to achieve had the PGS not been in place. We would not want to be in a position where the infrastructure and the services that we could provide at the moment through section 106 we were not able to do because the funding was not coming back to us. **A39**.

Q108 Mr Betts: I am sure there would not be lot of folk in the country who would want to see themselves with less money coming out of the new system then they have now. The presumption, therefore, is that if there is going to be some central money to distribute looking at national and regional priorities for infrastructure, the total take for the new scheme is going to be higher. Is that the general presumption most people are working on?

Mr Best: I would not assume that because generally I would expect that the section 106 process should, and I think it does in Milton Keynes, extract as much out of the development value as is consistent with the development going ahead. It may be that is an optimistic assessment and we could get more out. I think if we were able to get more out we could do that through section 106 and it does not follow that a Planning Gain Supplement will necessarily get more out. If there is more to be got out, section 106 should be able to abstract it. The pre-condition of that is whether there are too many thresholds and hurdles in the section 106 process that could be liberalised or eased, and there are some fairly precise rules about what is an acceptable principle of abstracting planning gain, it has got to be relevant, proportionate and so on. If there could be a reconfiguration of that so the local planning authority is able to abstract up to the threshold beyond which the development is no longer viable in order to further the general well-being of the area, possibly in terms of the power of general well-being rather than the more limited criteria that are applied currently through section 106, then there should be no difference with what can be got from section 106 and what might be abstracted through planning gain and so on **D12**

Q109 Mr Betts: Is there not a danger that there will be a change of approach, a change of climate, with Planning Gain Supplement, that authorities which now do negotiate section 106 on the basis of the particular needs and requirements that are made of them by that particular development will in the future start to look at planning permissions being given as a way of putting money into their coffers and maybe funding the deficits from their pool, keeping the council tax down that year as opposed to particular planning requirements that are there as part of the development?

Ms Dear: I do not think that would be the case. I think our concern is that because the link is being broken between the impact of the development and the services and infrastructure that could be achieved through section 106 there is a danger that planning permissions will be granted which would be refused at the moment because if you had a planning permission for a development that would cause an impact, be it a need for more school places or it might even have an impact on a nature conservation site because mitigation and proposition measures can be achieved through section 106 in relation to that too, is that because you are not able to secure those particular issues through section 106 in the new proposals? Is it that you either get planning permission being refused for something that at the moment could be achieved or are you going to be getting planning permission for something that is causing an impact and you have this hope that you will get some Planning Gain Supplement monies back, because there is no guarantee in the consultation paper as to how that is going to be recycled, in the hope that you can mitigate and offset the impacts? Because the link has been broken, it is based on a hope rather than on anything concrete **A21, A37, B23**

Q110 Anne Main: On that very point, do you think you would have to bid again into wherever the central pot is, there is that worry that you might have to make the case a second time? So you make the case the first time with the developer and he gives over the money, but not to you, and then you have to make the case strongly a second time and you may not get all the money that you would have got under the 106, is that your concern?

Ms Dear: Very much so. That is exactly the concern. **B216**

Cllr Mitchell: The danger here is that you are thinking of Planning Gain Supplement as the only source of infrastructure funding. You are approaching it as if everything else is going to be abolished and that will be the sole source, it will not be. You will have section 106 for affordable housing and for site specific. You will have central Government funding, some I hope, for infrastructure. This is another bit to add on to those. That is why I am inclined to welcome it. On the particular question, I think if the electorate got the feel that they were seeing huge development everywhere because the council was pouring money into its revenue base, I think they might be punished. On the other hand, there is a serious and growing issue around the acceptability of the planning system among the public and their feeling of being divorced from it. I think if they believe that planning is being connected back to the delivery of infrastructure locally through this funding mechanism, there is a chance that we might get a slightly less anti development society than we currently are. I think that is a very serious issue that makes Planning Gain Supplement worth considering **D21**

Q111 Mr Betts: Can I pick up on an issue there and if you want come in on that general point. Is there not a danger that if an authority is faced with a planning application and it has a choice of insisting on a reasonably high level of affordable housing on the site, that reduces the potential increase in the development value of the land and, therefore, the Planning Gain Supplement is less. If there is a system where the Planning Gain Supplement, say a proportion of it, maybe 80 per cent, is going to be directed to that particular authority and that permission, there will be a feeling in that authority if we do not require affordable housing on the site we are going to get more Planning Gain Supplements and if we have not got a problem on the revenue budget this year, that is a way of solving it?

Cllr Mitchell: I have a serious issue with the linking of section 106 with affordable housing because levels of affordable housing are rising generally in the planning process and if that pre-empts so much planning gain from the beginning then, yes, there is less left to provide the Planning Gain Supplement levy for infrastructure. I have always had a worry about the apparent pre-empting of affordable housing through the section 106 **B213, C27**

Q112 Mr Betts: That is the proposal.

Cllr Mitchell: It is and it worries me. I think it needs to be addressed. It may be in terms of a maximum proportion of affordable housing there is that pre-emption otherwise the higher the level rises, the less there is available for infrastructure generally.

Mr Tugwell: Just to echo Councillor Mitchell's point and a point that John Best made earlier. This is not going to solve the infrastructure gap and the funding of infrastructure because we need within the South East to deliver affordable housing, we need to deliver in the South East the infrastructure that supports that affordable housing and other types of housing development within the region. You are not going to get away without the need to invest in either one of those just because you have a different way of collecting a contribution from the private sector. As we have made clear in the contribution to this debate, PGS does add value and it does add, we believe, additional resources to the pot but it is only part of a wider pot and there is still the problem, we believe, that there is the issue of how do you fund the transport infrastructure that supports all of this because I think that is one of our greatest concerns within the consultation document, it really is quite silent on how we address that particular funding issue. **D31**

Q113 Alison Seabeck: Are those parts of section 106 arrangements which the Government proposes to retain adequate to address all the environmental impacts which a development could have on a site? On the back of that, I have got a niggling query in my head about flood plain development and whether or not the guidance under PPG 25, which a developer has to consider in terms of protecting whatever he is building on a particular site, is remedial work because of the nature of the site, or is it something which ought to be addressed by the national infrastructure pot because it is usually a much bigger picture if you start tinkering with a bit of drainage, or river, or whatever? You invariably have a knock-on effect further down or upstream which needs further protection and works. Do you have a view on that?

Mr Tugwell: If I may I am going back to a point I made earlier that you need to think about the infrastructure needs to support development in the context of the planning system that we now have established. We have, within the South East Plan, a draft of an implementation plan which for the first time is trying to pool together not just the transport infrastructure but all the other forms of infrastructure necessary to support and deliver sustainable communities. That, for the first time, is starting to look at issues about water resources, water quality, flooding, issues of utility provision and health provision in a way that we have not been able to look at before. There is a long way to go with that and we need to work carefully with the delivery agencies themselves to understand the size of the investment that needs to be made and, more importantly, the timing of that investment. It re-enforces the point that PGS is not the solution to all the problems, it is part of a mechanism. If you combine it, as I said earlier, with this idea of a Regional Infrastructure Fund, you may find it will be able to act as a catalyst to allow some of these remedial works off-site that have been identified in the planning system to be delivered to allow the development then to take place and some of the costs of that to be recovered through the contributions made by PGS.

Ms Dear: I think our concern in relation to reliance on the development plan process is in relation to smaller scale developments which might have environmental or other impacts off-site. Whilst the major impacts can certainly be highlighted in local development documents, or even at regional level if the developments are of that scale, certainly smaller developments and the incremental impact of a number of smaller developments cannot be anticipated in the development plan process. It is not geared up to be that swift to turn around documents that quickly and be that sensitive. It cannot foresee all of the eventualities. Because the scope of the new section 106 is proposed to be limited to on site environmental impacts, again it goes back to what I was saying previously, you might have an instance where you could grant planning permission at the moment subject to a number of off-site mitigational compensation measures because you are not able to do the off-site measures under the new section 106 proposals that planning permission would either have to be refused or you would get grant damaging permission in the hope that the money would come back through the PGS funding.

Q114 Alison Seabeck: There are flaws in the current system but clearly flaws in the proposed system which we need to look at and take forward. I assume they fall on the basis of Mr Tugwell's comments that you would have worries about the removal of public transport implications from 106 obligation?

Mr Tugwell: There is an outstanding issue about how revenue funded schemes are delivered which, again, goes beyond the debate about PGS and looks at the costs and the balance, if you like, of funding for infrastructure provision in the round rather than just any one particular system.

Mr Best: The origin of PGS is around a review of the housing market and it is geared around generating more homes in the UK and particularly in the South East. I think the reality in a place like Milton Keynes is that even in Milton Keynes there is quite a lot of equivocation about growth because there is nervousness that there might not be enough of the related infrastructure to make the communities that result truly sustainable. Picking up Alison Seabeck's question about is what is proposed to remain within section 106 sufficient I think if you reduced the remit of section 106, which is the primarily local mechanism, you would reduce the confidence that the community would have that, yes, the infrastructure is likely to be developed. You would also by the process of only part of what was being taken through Planning Gain Supplement being returned, albeit the majority but it is still not the entirety, into the local authority for the spend, reduce the confidence and the local process, which should be an integrated process whereby the community supports where it is going, would be undermined and diluted **A211**

Chair: Can I return to the Regional Infrastructure Fund that the South East Assembly were talking about. Can you clarify, in the Regional Infrastructure Fund, who, if anybody, provides the initial pump-priming and how does it link in to the Regional Spatial Strategies and the Regional Economic Strategies?

Q115 Alison Seabeck: Can I link in the issue about public transport coming in, in advance of development because it does, in fact, depend on that pump-priming to an extent and how that works?

Mr Tugwell: The role of the Regional Infrastructure Fund we would see as being a catalyst, a way of forward funding. In the same way that you have within the specific locality of Milton Keynes, you would have English Partnerships, in effect, acting as a forward funder. The idea of the Regional Infrastructure Fund would be that it would act as a catalyst which would allow infrastructure investment to be made **B33**

Q116 Chair: Is it the Treasury that would be forward funding because it is the Treasury that is doing it for EP?

Mr Tugwell: We would envisage it to be public sector led and it would be looking to see how interventions made by the public sector would allow the strategies set out in the Regional Spatial Strategy of the South East Plan and the Regional Economics Strategy to be delivered more effectively and more quickly. The cost of the revenue, as we said earlier, would be recycled by the revenues recovered through PGS. We have been promoting this and we are looking at how we can develop the structure to support that. Our colleagues in the South West have been doing a similar piece of work looking at how a Regional Infrastructure Fund might be established and I believe they are in a situation where they will have a potential financial model available for examination as to how that might work. There is a body of work, if you like, looking at the financial model of that being led by the South West, the Regional Development Agency and Assembly, and issues about the structure that might be associated with that which we have an interest in and colleagues in the East of England have also been looking at. There is an opportunity with PGS to act as a way of transforming the way in which we deliver and implement the plans **B33.**

Q117 Martin Horwood: Thank you for tipping me off that the South West Regional Assembly is planning a Regional Infrastructure Fund, I had not picked that up yet. On the whole idea of Regional Infrastructure Funds, you said earlier on that in unique areas like Milton Keynes, there were not the bodies at effectively sub-regional level to carry this kind of thing out. What on earth is wrong with unitary authorities, county councils and consortiums of local authorities? We do have a democratically elected structure at a more local level. Is that not a much better way of doing this kind of thing than a nationally or regionally centralised approach? Subsidiarity should apply, should it not?

Mr Tugwell: I do not believe I said that we do not have the structure. What I said was the situation was complicated in other locations because you have a multitude of landowners, you have a multitude of delivery agencies, potentially you have a multitude of authorities who have an interest in delivering the infrastructure because, taking the example from South Hampshire, the investment may be across a broader area reflecting the fact that people live, work and have other activities beyond any one particular boundary. **A38**

Q118 Martin Horwood: It is even more complicated at regional level, you have even more stakeholders and partners.

Mr Tugwell: What I highlighted was that within the South Hampshire area there is a strong partnership involving the local authorities, both unitary, district and county, who are working together to identify what the Spatial Strategy for that particular sub-region would be and the infrastructure requirements that are necessary to support and deliver it. In some respects they are following a model that is not dissimilar to the approach by Milton Keynes but, as I mentioned earlier, in terms of delivering, if you are going to capture the greater proportion of the contribution from the private sector then it is more difficult to establish the sorts of arrangements that you have in Milton Keynes simply by virtue of the fact that you have a larger number of landowners and a larger number of deals, if you like, that would have to be made to enable the tariff type approach to work within that area. It is simpler in that situation to have a Planning Gain Supplement situation being administered locally with, if you like, the priorities for investment being identified locally through the sub-regional work and being delivered locally through the local authorities working in partnership with the delivery agencies. **D35**

Q119 Martin Horwood: If it is being planned and delivered locally why do we need the regional infrastructure fund?

Mr Tugwell: Because there may be occasions where the timing issue is such that yes, you may get the funding from the Planning Gain Supplement but only once the development is in place, but to allow that development to take place you have to have the infrastructure and that is where the infrastructure fund could act as a catalyst to allow a planned development to take place. We have an example of it, as I say, within the South Hampshire Area, where it is clear that there is a need for investment in infrastructure to take place and for sites to come forward for planned levels of development, but until the development is actually on the ground and constructed you will not get the contribution from the private sector. The public sector, the regional infrastructure fund, could allow the infrastructure to be in place and allow the planned development to come forward.

B221, B210

Martin Horwood: I am still mystified as to why public sector infrastructure funding could not be generated bottom-up instead of trickled down from regional level, but perhaps we should leave that for another day.

Q120 Chair: It is not big enough. Mr Best, I think we probably should draw this to a close. It has been a marathon session.

Ms Hamilton: I was just going to make the point in terms of delivery vehicles. The Milton Keynes tariff is actually being delivered by a business plan which is cross-agency, so it is not just the local delivery vehicle which is handling everything. It is a matter of pulling together all the various sources of funding, of which the tariff is one. In terms of, say, transport programmes, for example, we would look for matched funding from the LTP or the SIF funding, so I think that is one point which is similar to a regional infrastructure fund. It is very much a multi-agency approach where Milton Keynes Partnerships is working with all the partners to put this programme together. The key issue that I feel is still important is that by far the major need for funding up front is in relation to transport infrastructure whereas some of the other aspects that are being funded out of the Milton Keynes tariff, such as schools, open space and so on, will only come on stream once development is there and can be funded more easily by a traditional section 106 arrangement. I think that is why it has been so critical that English Partnerships via Treasury and ODPM approval is able to forward-fund because there is simply not the mechanism to get any sort of rolling fund up and running in advance of development being on the ground, and even this year before there is any development on the ground in Milton Keynes English Partnerships is funding in the order of £8 million worth of infrastructure, I think the majority of which is transport and highways related, some of it public transport related **D35, C31, B33**

Mr Best: I want to come back to the question about whether the Milton Keynes model is transferable elsewhere. Think the Milton Keynes proposition in general is not as simple and as simplistic as has been described. Part of it is around greenfields but it does, as I have explained, have an application, which we are evolving because we are in an early stage of it, for wider use. I think the sort of environment in which it could transfer is to those authorities or groups of authorities where there is a combination not only of the difficult brownfield regeneration challenges but also some greenfield and high value generators which I believe would apply to the South Hampshire area because they have that combination. What I think would be a problem would be trying to transfer it and apply it to an area where basically there was market failure and you were not generating the sorts of values that would allow development to proceed if it was being over-taxed, which is why I think the solution has to be clear assessment related to the circumstances of development in order not to frighten it away. **A36**

Councillor Mitchell: As the only politician on this side can I make one observation about the process, that is, if it is to go forward? If you do not know the history of past development land taxes get the briefing from the House of Commons library and see why they failed. They were repealed by a successive government. If it is going to work, and I think it is quite important that there are improvements to the current planning circumstances, I think it needs all-party support, because if something is put in and there is a commitment to abolish it at a later stage, as there was previously, then it will fail and development will dry up until it fails. I do think we need to look very seriously at getting cross-party support. I have heard George Osborne talking about something that is not a million miles away from Planning Gain Supplement, so I think there is some hope. If there was a willingness to look at this cross-party you might get something that would give us the ability to fund infrastructure better, to deliver things like the South East Plan that matter to us, and I think that is quite critical.

Chair: That is very helpful. As you know, we are a cross-party committee. Thank you all very much.

Sheet YC

House of COMMONS: MINUTES OF EVIDENCE

TAKEN BEFORE

OFFICE OF THE DEPUTY PRIME MINISTER:

HOUSING, PLANNING, LOCAL GOVERNMENT AND THE REGIONS COMMITTEE

Affordability and Housing Supply

Monday 16 January 2006

MR PETER DIXON and MS MARGARET FORD

YVETTE COOPER MP and MR ANDREW WELLS

Evidence heard in Public Questions 416 - 528

USE OF THE TRANSCRIPT

Oral Evidence

Taken before the Office of the Deputy Prime Minister:

Housing, Planning, Local Government and the Regions Committee

on Monday 16 January 2006

Members present

Dr Phyllis Starkey, in the Chair

Mr Clive Betts

Lyn Brown

Martin Horwood

Mr Mark Lancaster

Anne Main

Mr Bill Olner

Dr John Pugh

Alison Seabeck

Memoranda submitted by the Housing Corporation and English Partnerships

Examination of Witnesses

Witnesses: **Mr Peter Dixon**, Chairman, Housing Corporation and **Ms Margaret Ford**, Chairman, English Partnerships, gave evidence.

Q416 Chair: Can I start the meeting because we are very short on time this afternoon. I am anxious to use the time as effectively as possible. Can I welcome both of you to this evidence session. Can I start by asking each of you, both of your organisations are stressing the importance of increasing housing supply. Can I ask you to say briefly what you think is the greatest constraint on house building, what the Government should do to unlock supply and whether English Partnerships is confident that it can double the number of homes that they are delivering by 2008/09? I d not mind which one of you starts.

Ms Ford: We had indicated each of us wanted to make a very brief opening statement. Due to the constraints on time, do you want to move on?

Q417 Chair: I would like to move straight to the questions. If there are additional things you would have said in your statement, afterwards we will be happy to get an additional written briefing from each of you.

Ms Ford: Thank you. I am representing English Partnerships today because we are currently without a Chief Executive, David Higgins has gone to run the Olympic Delivery Authority so I am standing in for him. I think in terms of the constraints for house building and affordable house building, certainly from our perspective, I suppose these come down to two or three key things. The availability of land supply, which of course English Partnerships is heavily involved in, is one; the delays in the planning system, which of course Government is trying to address through a wide range of measures, really is another. English Partnerships is very actively trying to address both of these issues. We are working very closely with other government departments at the moment to broker surplus public sector land and we are doing that in three ways. We manage the register of surplus public sector land, which starts now to give much greater visibility to those assets which previously we did not see before they came to the open market. Secondly, we are working in an advisory capacity with organisations like Defence Estates and increasingly helping those organisations to overlay Government policy on their surplus assets before they dispose of those. Of course, in terms of our own programme, as you rightly said, Chair, we are increasing the amount of housing starts and completions quite considerably compared with what English Partnerships, for example, was charged to do five years ago. The availability of land continues to be a challenge. The price of land across certain parts of England, particularly in the South East, continues to be a challenge. We are using all of our efforts to address those challenges at the moment. **E21, E22, E23, B18**

Q418 Chair: Mr Dixon?

Mr Dixon: I think as far as we are concerned, and I would agree very much with Margaret's view, the prime constraint is the availability of land, and very particularly land for affordable homes. We have seen the price of that commodity go up sharply. It is costing us something like £50,000 per home in the London area, £30,000 per home across the country. Land is the main constraint as far as we are concerned. Insofar as the other constraints that may exist are concerned, one of them is obviously around the capacity of the industry to build more homes and again we are taking steps to make sure that more of our programme is delivered via modern methods of construction. We have committed to delivering a minimum of 25 per cent of our current programme through modern methods - we are going to hit something like 40 per cent - that will help to deal with labour supply problems and will therefore enable us to build more homes. The other constraint quite obviously is cash at the end of the day. The more money there is in the system for us, the more we can develop affordable homes. We are not throwing money at the problem, we are seeking to ensure that we procure those homes more effectively. There was something like a nine per cent reduction in the cost of each home we procured in our most recent programme against the one before, that is despite increased construction costs and despite the rise in the price of the land. The other issue I would refer to obviously is the planning system again. It is not just about delays, it is also about the quality of the processes in which we all engage. We are working as closely as we can with housing associations, and with the local authorities, to make sure that we maximise the outputs from the planning process. **E23**

The Committee suspended from 4.39pm to 4.47pm for a division in the House.

Chair: Can we restart. Can we move onto the next question which Mr Olner was going to ask but maybe Lyn could do it?

Q419 Lyn Brown: You are both promoting shared ownership schemes. Why is it necessary for English Partnerships to be involved at all in promoting shared ownership schemes through the Londonwide Initiative and the First Time Buyers Initiative?

Ms Ford: Yes, I think it was. You are quite right to say that we are both involved in shared ownership schemes but using different forms of subsidy, I think it is good to have comparisons for that. English Partnerships is able to use its land as equity in these schemes, that is reducing the price for first time buyers; the Corporation uses more conventional forms of subsidy, I do not think that is a problem. Over the piece, it would be useful to compare these and to learn lessons from each. I think the key thing, from the consumer's point of view, is we must not look confused to the consumer and that is where the zone agents are key. Frankly, it does not matter where the subsidy comes from, from a consumer point of view, as long as you, as the zone agents, are able to point people in the direction of the right product but I do not think there is a problem with it.

Q420 Lyn Brown: Do you know the average income of those you have assisted in shared ownership schemes, in particular in areas of high housing costs like London and the South East?

Ms Ford: I do not have that data to hand because EP has not been that active in shared ownership to date but the Corporation may have average figures.

Mr Dixon: I do not have an average figure but I can say that the people who are helped, their starter incomes are not much more than £15,000 or £20,000 a year. **E110**

Q421 Lyn Brown: Would it be possible to have additional written information?

Mr Dixon: We will see if we can access that and find it for you.

Q422 Lyn Brown: Okay. Are the roles of the two organisations adequately differentiated and complementary or is it just one more layer of bureaucracy alongside local and central Government?

Mr Dixon: Not at all. I think we do different things, we have different sets of skills and different assets that we bring to the situation. We do work together very closely and we make sure that we do not trip over each other because we do have a different role.

Ms Ford: Yes, I would agree with that. I think that question has been asked to me on numerous occasions in the last four years when I have been in this job, and it might have been a feared question four or five years ago when our two organisations were not working particularly effectively together, I think we were quite open about that. Over the last four years I have seen a huge change in the way our organisations work together, very complementary but absolutely not duplicating each other's efforts and the relationships are now arguably very, very strong.

Q423 Chair: Could I ask you about the £60,000 house that the ODPM have been pushing. Given that land costs are such a big proportion of the cost of a house or a property, does that £60,000 house only work if it is a leasehold scheme or is there some other way of helping to reduce house prices overall?

Ms Ford: In the Design for Manufacturer Competition, which set out the challenge to the industry to construct a house for £60,000, the Deputy Prime Minister was very clear, he never set out to say the eventual cost of the house would be £60,000. The competition was looking at bringing construction costs down because there are three elements to the cost of a house. There is a land cost, there is a construction cost, then there is your associated cost with 106 contribution, then there is developer's profit and the cost of time it takes to get through the planning system. What we have been trying to do with the surplus public sector land polices is address the first of those chunks of cost. The design for a manufacturer competition was meant to say, let us use modern methods of construction to get the construction element costs down to £60,000 or below, in fact it has come in below in many cases. We cannot deal directly with the developer's profit and so on as Government. It was never intended that the eventual cost of the house would be £60,000, although it happens to be if you factor in a shared equity product you get to somewhere around that. **E13**

Q424 Anne Main: Following on from that, since often the ultimate cost of a house is determined by the land costs which you referred to earlier, could you extrapolate then if a unit of a house was £60,000 what the final outcome of a house would still be?

Ms Ford: It absolutely varies literally from council to council area. If it was in one of the growth areas, say in the South East --- Sorry, did you say the land costs or the construction costs were £60,000?

Q425 Anne Main: No, the final unit cost. The fact that someone is trying to get a £60,000 house they must have some idea of a saving that would make. In a high growth area, what would you say the ultimate full unit cost would be, by the time you have added in all of those other factors which you referred to, as an estimate? You are still looking at a price of about what?

Ms Ford: If you do a Londonwide programme, one bed apartments in London, the open market value without any kind of subsidy would be, it would again depend on the borough, say £150,000. On the Londonwide programme those would be offered for sale at around £90,000. That is the kind of order of saving we are anticipating but it does vary tremendously. **E12**

Q426 Dr Pugh: Can I ask about the Housing Corporation priorities, and in a sense about your core business as well. Traditionally, you see the Housing Corporation as being an organisation that funds social housing for rent by and large but you do other things as well, key worker schemes and also shared ownership schemes. Is there a shift in the balance for your funding and is there a shift in the balance of your priorities? If I can add a further rider to that, if there is a shift what motivates the shift?

Mr Dixon: Yes, there has been a shift. At one time virtually everything we did was for housing for rent. A few years ago it was probably 85 per cent rent, 15 per cent various other products including some of the home life products. In the current programme it is probably shifting to around 70:30. There are a variety of reasons for that. Partly there is huge un-met need for products other than rented accommodation. People cannot afford to buy and various forms of shared ownership do give them opportunities that will not otherwise exist. The other reason is that it is a contribution to creating mixed and sustainable communities. If all that people are creating is housing for rent and nothing else then you are likely to be seeing some of the problems that we have got in some areas on an ongoing basis where you have got a mono-tenure, mono-culture and all the associated problems. How far that process will go, I would not like to say. I suspect it will not go much further than that because the demand for rented accommodation is so great. **E31**

Q427 Dr Pugh: You mentioned a variety of criteria that determine your pattern of spend. Is the need to make the maximum use of resources available part and parcel of the criteria that you will use insofar as promoting shared ownership presumably takes up a less subsidy?

Mr Dixon: Yes, it does. You will get something like twice the number of homes through the low cost home ownership products as you will through the rented programme. If you talking about just putting out numbers of homes, you would get more out of an ownership programme than you would out of an entirely rented programme and there is no doubt the headline numbers are sometimes attractive. **E32**

Q428 Dr Pugh: Within your budget you are relatively free to vire money to whatever target you think?

Mr Dixon: No, we are not. The targets that we work to are set effectively by the regional housing boards. The regional housing boards work very closely with the various government offices. Our programmes are built around the priorities that are identified within the regional housing boards.

Q429 Dr Pugh: You say one of those targets was to provide money for key worker housing schemes and they were not to be used up in total, you could use or transfer the money into shared ownership schemes?

Mr Dixon: To a limited extent, but not entirely. We have to keep pretty closely to the parameters that are set by the Regional Housing Boards. We cannot go off and do our own thing and we should not be able to go off and do our own thing. We can do it around the margin to make sure that we are giving effective programmes. We cannot radically change it.

Dr Pugh: Okay, that is very interesting.

Q430 Mr Betts: If there is not the full take up of shared ownership products you can then switch them into rental benefits?

Mr Dixon: We can at the margin.

Q431 Mr Betts: Do you feel comfortable then as the major funder and provider of social rented housing accommodation in this country with a crisis in rented housing, which we have in many areas, not just in the South East now but in my own area, like south of Sheffield. There is a crisis in rented housing, and, as the major provider of funding, you are doing no more than you were five years ago to fund social rented housing? Do you feel comfortable with that?

Mr Dixon: No, I do not. I would far rather have a lot more money than we currently have. We do not have that extra funding, therefore what we have to do is to make sure that it goes as far as we can. Making it go as far as we would have regard both to the nature of the programmes between rented accommodation and between low cost home ownership and ensuring we are getting value for money in procuring those homes. **E11**

Q432 Mr Betts: Those who could influence those decisions are very clear about your views, that you are not comfortable?

Mr Dixon: I think everybody knows that we want more and that we believe we could spend it effectively. If they do not then this is a good way of telling them.

Q433 Anne Main: The new PPS3 could enable greater development on greenfield sites but is there a danger that will undermine English Partnerships' efforts to promote the reuse of brownfield land and regeneration on the slightly more awkward sites that developers often would rather not do?

Ms Ford: No, currently the new statement is out for consultation and we have been looking at that very closely. The slight change of emphasis around brownfield, in other words the abolition of the sequential test and the replacement with this prioritisation of brownfield land, we do not believe necessarily that takes you to using up more of the greenfield. We think the way in which that can be developed will be very productive. I do not necessarily think that the changes in the planning consultation document will inevitably lead to a diminution of level of interest in brownfield land, quite the reverse. **B21, E14**

Q434 Anne Main: If that is the case, do you feel then that there is really the need for this alteration in the planning statement?

Ms Ford: I think it is quite helpful because the sequential tests certainly gave you clarity around what you were doing but it did not offer you a great deal of flexibility. I am perfectly well aware that in some constituencies, particularly in the North West of England, a little more flexibility around the brownfield agenda would be helpful because what it does not take account of is affordability. If I give you the example of Warrington, where there is a lot of already serviced land which has been there from the time of the Warrington Development Corporation, it is owned by Government, it is already servicing substantial need but it cannot move forward for a long number of years even though it is land zoned for development because of the rigidity of the sequential test. In that particular constituency, Warrington South, average house prices are over seven times the average income. Whilst the brownfield policy area is working very well in terms of protecting the green belt what it is not doing is addressing the affordability question. It might be the case that the changes afford us a little bit of flexibility around trading those things off but that would all have to be agreed locally obviously, but it does open the door to give us a bit more flexibility than traditionally we have had. **E48**

Q435 Anne Main: Can I clarify what I think you just said. The slowness of the process in bringing up brownfield land on-line, because of that you would like to be allowed to look at more greenfield sites?

Ms Ford: No, I did not say that. It was not the slowness of it, it is just in certain constituencies we have a tremendous amount of brownfield depending on historical patterns of industry in those areas and that sometimes can lead to the brownfield sequential test having much more in the system than can be brought forward affordably. I think affordably is the key here. Sometimes that brownfield is a lot more expensive.

Q436 Mr Olner: You mentioned in your evidence the varying quality of planning gain negotiation by local authorities. How do you think these negotiations can be improved?

Ms Ford: I think both of us referred to the variability and the inconsistency around section 106. I suppose the two complaints I have about 106 as it applies at the moment, one is the time it often adds to the planning process but, secondly, the kind of uncertainty that it adds because you do get very different conclusions in different parts of the country. I think the consultation that is out now in *Planning Gain Supplement* certainly addresses the issue of consistency, and as Government intends *Planning Gain Supplement* to be developed it would help both with the time it takes to negotiate 106 currently and also this question of equity and inevitable treatment across our country. The new measures that are being proposed are potentially very helpful. **B13, A13, B111, B11, B29, A22,**

Q437 Mr Olner: You made those views known to the ODPM during its negotiations for changing the planning gain structure?

Ms Ford: The changes are not in place yet and the consultation is still alive and we will respond formally to ODPM but we work closely with colleagues in ODPM and they know about our frustration with the way 106 currently operates.

Q438 Mr Olner: Having looked at this, there is always this point of conflict between section 106 providing social housing and perhaps *Planning Gain Supplement*, which is being looked at now, is going to provide infrastructure. It might well be that social housing loses out.

Mr Dixon: No, in point of fact the new arrangements, which we would welcome, are going to mean that section 106 agreements are going to be much more tightly drawn around the provision of affordable housing, and we would welcome that. We are glad that is the way it is going. The *Planning Gain Supplement* is a separate issue outside of that. There is one other point that I would make in addition to Margaret, as far as our organisation is concerned. The Housing Corporation is engaged in discussions with the LGA at the present time around developing the protocol around the use of section 106 and making sure that we maximise the gains from it because we see huge variability around the country. The point of having a protocol with the LGA is that we can jointly turn around and say "We think this is the way to do it, it is going to result in more affordable homes and better value for money". We are working on them currently to get that protocol. **C212**

Q439 Mr Olner: One final question on this. I can see section 106 is on planning gain, brownfield sites and greenfield sites. An awful lot of the deserts that occur in communities are where there is housing that is no longer up to the standard that people want to live in, and it does appear to me there is a huge hole there that does not attract any of these things that are able to assist.

Mr Dixon: That has been partly addressed by some of the programmes that the large scale voluntary transfer movement has moved towards. Some of these big old estates have been transferred to housing associations and are being re-developed. Sorry, I misunderstood you.

Q440 Mr Olner: It is not only local authority or rented accommodation, it is also in some of those areas where there is a mix, it is being able to get the private sector on board as well. It seems to me to be a huge area. There is no stimulus coming either from Government or from yourselves to address it. **E33**

Ms Ford: I think there are some very good examples now coming forward of where English Partnerships, at the request of ODPM, is trying to deal with exactly that issue. If I can give you the example of the Woodside Estate in Telford, a New Towns estate very typical of its age, mid 60s, it started being built. We had exactly that situation, in fact I spoke to this Committee about it four years ago. We have dealt with it there by a very selective process of demolition where appropriate, then releasing that land value to mix the tenure to bring in private housing and intermediate housing in that area and also some really fabulous community facilities which had been lacking in the past. The kind of work that we are doing in Woodside, the kind of work that we are doing in the Hattlersley Estate near Manchester are just a couple of examples of the different ways of working where we are using the land assets very sensibly from what were failing or sub-optimal estates to try and address the very point you make.

Q441 Lyn Brown: There has been some criticism about the number of organisations involved in the Thames Gateway. Do you accept this and how do you think it could be resolved?

Ms Ford: I think the issue for us on the Thames Gateway is less about the number of organisations involved and more about the clarity of decision-making processes. What we have tried to do in English Partnerships, and I can only speak for my own organisation, is to be very focused in the projects that we have been involved in, in Barking Riverside, on the Greenwich Peninsula and so on. We have about three or four major projects and what we are trying to be very clear between ourselves and the relevant local authorities about the nature of those projects, the kind of communities that are being built there and how we can work with the Department for Transport, and with the Mayor's Office when and where appropriate and so on to bring those to fruition. I am passionately keen to be focused and be able to communicate very clearly what we are doing and every organisation, and you are right there are many of them, needs to do the same.

Q442 Lyn Brown: You do agree there is confusion?

Ms Ford: I think all the feedback from the work that has been done recently asking people's perceptions of the Gateway suggests that there is confusion there, yes.

Q443 Lyn Brown: We have heard from some of the people who have appeared before us that the development potential within the Thames Gateway will not be maximised because of inadequate infrastructure. Do you agree with that?

Ms Ford: I think you can only maximise the potential of the Gateway with very serious attention to the infrastructure. I think we are all clear that transport infrastructure is absolutely critical but also, again, from recent very good work done about the perception of communities in the Gateway, people believe that unless there is community infrastructure, unless there is educational and cultural infrastructure - interestingly which came out very strongly in the most recent report - then people will not be attracted to go to the Gateway. Whilst it is a phenomenal opportunity, there is also a big ask in terms of infrastructure investment.

Mr Dixon: There is also a timing issue here which we must not forget and it is a 20 year plus project and getting it right will require infrastructure developed over that period and the economic regeneration and the housing will follow that, but it is not overnight.

Q444 Lyn Brown: Do you think the Milton Keynes model can be looked at for tariff work? Do you think it could work across such a large area?

Ms Ford: We are very pleased at English Partnerships out the tariff approach which will raise just around three million over the next period of development. Milton Keynes has now been approved by Treasury. We are very pleased about that because English Partnerships has been working on the tariff approach for nearly two years now and we think that method of having voluntary, but very impressive contributions by developers, is a very sensible way forward. Because of the certainty of those contributions English Partnerships can now fund the cash flow upfront for a lot of the necessary infrastructure for Milton Keynes. I think it is a very good model and it is capable of being replicated in other parts of the country, by no means all because it depends on the pattern of landownership in a particular area but it is a very good model. I am very pleased that the Treasury have given us leave to pursue it in Milton Keynes because it will move things along faster. **A310**

Q445 Lyn Brown: Will it work in the Thames Gateway?

Ms Ford: It could work in parts of the Gateway, but the passion of landownership and the willingness of those landowners to voluntarily commit would be critical. **B37**

Q446 Anne Main: Can I briefly ask, there have been some concerns expressed about design quality to do with these cheaper units, particularly using the modern methods of construction. How can you avoid design suffering as a result?

Mr Dixon: I think the question has partly been misplaced. We are very firmly committed to high quality design standards, eco-homes standards. We are absolutely not going to move away from those in the pursuit of value for money because it will not be value for money. If you look at the designs that came out of the £60,000 home competition, they were quite imaginative and they were creating the sort of homes that people want to live in. From what I have seen recently a large percentage of the homes that are being put up by housing associations are places that anybody would be very happy to live in. We are not going to let go of those standards. **E13**

Q447 Anne Main: Will you implement the new standard LPS 2020 developed by the Council of Mortgage Lenders?

Mr Dixon: I am not aware of that one. What is it?

Anne Main: We had this when we had the mortgage lenders, there were some concerns over the construction methods used and the quality of construction ---

Q448 Chair: It is something the mortgage lenders have developed in order to try and encourage people to give mortgages. They were concerned that the ODPM and the Housing Corporation should sign up to it.

Mr Dixon: It has not come across my desk yet. It presumably will at some stage.

Q449 Mr Betts: Is it not rather difficult to understand then that you are funding quite a large number of units using modern methods of construction and you have not got design standards in place, have you?

Mr Dixon: No, absolutely not. We have a complete list of design standards which typically are far higher than those used by private developers. All the development that we fund will also have private finance going into it and the housing associations will have to ensure whatever they are using in the way of construction methods is acceptable to the mortgage industry.

Q450 Mr Betts: This is guaranteed for how long?

Mr Dixon: It will be guaranteed for however long it needs to be in order to be acceptable to the lenders. If you are talking about a private development, you have a ten-year NHBRC guarantee. Typically, we would expect a 60-year life out of the properties that we are funding; it does not mean that they are guaranteed for that long. Bear in mind there is 30 billion of private finance in housing association investments at the moment. All of that is to the satisfaction of the mortgage lenders. I would not imagine our standards are going to be a problem to them.

Q451 Mr Betts: Do you not think it rather strange that when the Council of Mortgage Lenders came here, they talked about this new standard they were developing and said it had not been developed? They were very concerned indeed that there were not standards laid down and they were very clear with their estimates.

Ms Ford: If I can be blunt, I would take that with a pinch of salt. We have found, over the last two years, the most difficult crowd to deal with has been the Council of Mortgage Lenders. Not only ourselves but private developers absolutely tear their hair out because the Mortgage Lenders have refused to countenance up until very recently the modern methods of construction were actually a runner at all, despite all the evidence to the contrary. I am delighted, absolutely thrilled to bits, that they have come here to tell you they are now converted to the DPN's agenda. Peter and I will rush off and find out exactly what they are talking about.

Q452 Mr Betts: Perhaps we might ask the Minister to get you all in the same room and try and resolve the issue.

Mr Dixon: I do not think we have a problem, but if we have we will solve it.

Q453 Chair: I am very conscious that we have to rush this session, particularly because of the vote, but you will understand we are keen to get the Minister in here. Can I suggest if there are any additional things you think we ought to be aware of, then please put in additional written evidence. It may be that members of the Committee will have additional questions they might wish to ask that we will pass on to you. Thank you very much indeed.

Mr Dixon: Thank you.

Witnesses: **Yvette Cooper,** a Member of the House, Minister for Housing and Planning, Office of the Deputy Prime Minister, and **Mr Andrew Wells**, Director, Communities Plan Directorate, gave evidence.

Q454 Chair: Minister, can I welcome you to this session. We are conscious of the fact that you have an appointment after, as I understand, and we are very keen to use this period as effectively as possible. We will try and keep our questions short and to the point, and obviously we will appreciate it if you reciprocate in your responses. Can I start by asking about the Government's commitment to increase the annual rate of house building from 150,000 to 200,000. Can you explain what has really changed to enable that enormous step change in the level of house building? Are you planning to break down the 200,000 target by region?

Yvette Cooper: Thank you, Chair. Can I say I am at the Committee's disposal because I know we have had votes and things so I can be flexible in terms of the running of the Committee to make sure we cover all of the points that you want to. Obviously there is a huge range of issues here. You asked the question about the proposals we set out in the Barker Response and what we have said is the latest figures show for 2004 150,000 new homes being built and the projections for household growth are for 190,000 new households being formed each year. Clearly, that is a very substantial gap between the rise in housing demand and the current level of new housing supply. We have done a lot of work around the impact on affordability but also just simply looked at the practical impact of that household growth. That is why we have said that we believe we need to increase the level of new house building to 200,000 a year by 2016. We have not set out the pace at which we believe we should make those increases. That was quite deliberate because clearly the pace at which we are able to build additional new homes depends on things like infrastructure availability and that depends on things like the Comprehensive Spending Review and those sorts of important discussions that still need to take place. It is because we believe that the links with infrastructure are so important that we have said we will set out the pace at which we need to increase house building as part of the Comprehensive Spending Review. We do need to look in more detail at the regional breakdown also. We have said as well that we think housing pressures are no longer simply pressures faced by the South. Now, as well as having our growing ageing population, we have a growing population in other regions as well; the northern regions are seeing growth in population too and there are clearly pressures on housing faced in particular areas, in the South West and East and West Midlands too. We want to do further analysis on what the appropriate increase in housing needs to be in every region and obviously that will be part of the regional planning process as well. **A24**

Q455 Chair: Do you have a timescale of when you might be able to give a more accurate regional growth plan?

Yvette Cooper: I think part of this will be part of the Spending Review timetable. I think we need to have a very clear idea by the end of the Spending Review timetable because clearly it is 2006 now, and in order to increase the level of new house building before 2016, we need to make progress as we go. Obviously, we will do this work as fast as we can. We want to set up the National Advice Unit, which will contribute to a lot of this work, by the autumn of this year.

Q456 Chair: Affordability is a key part of this. Given that house prices appear to be levelling off, does that mean that you might re-calculate the level of housing required to deal with the affordability issue?

Yvette Cooper: What we need to be able to do is distinguish between the cyclical impact and the current point that we are at in the housing market cycle and also the long-term impact of price increases. What Kate Barker did in her study was to set out the long-term house price increases to argue that these were significantly higher than in most other European countries and also higher than was good for the economy, the wider society and so on. Our modelling looks at long-term house price increases not the position we happen to be in in the cycle at the time. That is why the research that we have done in the additional document that was published shows, if you look at the current position, that just over 50 per cent of 30-year old couples could afford to buy their own homes on the basis of their earnings. On the current level of house building, if we carried on at that level over the next 20 years, bearing in mind the level of household growth, we would see only around a third of them able to afford to buy their own homes by 2026. That is based on the long-term trend not the short-term position in the housing market cycle.

Q457 Mr Olner: Could I follow on what the Minister said on that one little point alone before I get to household growth. There is an ever-complex series of mortgage or financial packages put forward; it does not solely rest now on the person's income as to whether they can buy a property.

Yvette Cooper: You are absolutely right. I think that poses a concern over the next 20 years also because I think we are likely to see a situation, if we do not increase the level of house building, where people who will be able to afford their own homes will be people who get gifts, inheritance or other support from their families. Now that is fine, but I think it is unfair if those are the only people who can afford to buy their own homes and the people who are unable to get a foot on the housing ladder are those whose parents were not homeowners before them. I think there is an equity and fairness issue as part of this.

Q458 Mr Olner: You have suggested and I think you mentioned, Minister, the number of households is growing at about 190,000 a year. Can I ask what the basis of that theory is? How scientific is it or is it a good guess on a Friday night?

Yvette Cooper: Obviously there is a lot of work that goes on into projecting household growth, and there is work that is done by the ODPM which maybe I will ask Andrew Wells, who heads up the work on housing supply in the Department, to say a little bit more about it if you would like or we can provide you with further detail. There is additional research done by people like the Town and Country Planning Association who have looked in some detail at this. It is based on ONS work, it is based on very rigorous long-term projections about what the impact will be in the future.

Q459 Mr Olner: I would imagine some of the stuff is dealt with on the projections based on the 2001 Census?

Mr Wells: Yes, that is quite right.

Q460 Mr Olner: Could I ask when will that in be in the public domain? When will you be publishing it?

Mr Wells: There are projections in the public domain. They start, as you say, from the census projections done by the ONS and we carry them forward into household projections. I think we have done two lots of forward household projections while I have been involved in this job. There was a set based on 1990 projections, another one based on 2002 projections, and there will be another set later this year. The last set is based on the 2001 Census.

Q461 Mr Olner: When will they be issued?

Mr Wells: I am sorry I do not have the exact date, but there are 190 ---

Q462 Mr Olner: We are near the end of January now. Is it going to be in the first, second or third quarter?

Mr Wells: I am sorry, I just do not know when. There are current projections. We can let you know when the new projections are out. There are a good set of projections there, they are just being carried forward as the ONS takes its projections forward year on year. The present ones are based on 2002 figures and I think the new ones will be based on 2004 figures.

Q463 Mr Olner: Does that not cause a problem because CPRE suggests that the 2001 Census shows that the surplus number of homes over households has increased since 1991? Does that not undermine your argument?

Yvette Cooper: You can always have arguments over figures and about the level of figures. We think that the work that has been done around the 190,000 projection is the most rigorous there is, it is really very detailed and thorough. In addition, I think that it has been supported by a series of independent studies and research as well. You can also see two things are reinforcing each other that suggest that these are pretty accurate. You have the figures which show 190,000 projected household growth compared with 150,000 housing supply. Then you have the figures about what is happening to house prices, about those long-term pressures which reflect exactly the same thing, that demand is increasing faster than supply. From an anecdotal level in all of our constituencies, we know there are pressures of more people wanting homes than are able to get or afford homes and then you see the actual figures reflecting the same thing. That is why I think you have to be relatively confident that these figures are going in the right direction.

Q464 Chair: Can I clarify with Mr Wells that we are right in thinking that the projections are based on up to date population figures, but it is still the 1996 data on household formation, is that right?

Mr Wells: I think that is right, yes, and the new thing, which will come along, is better figures on household formation.

Q465 Chair: Those are the figures that you are not certain when they will be coming out, but it will be later this year?

Mr Wells: I cannot tell you an exact date. Yes, that is exactly right, but they are based on the 2001 Census.

Q466 Martin Horwood: Is it not true that these kinds of national trends and projections mask a host of much more complex regional and local markets and situations where the causes of affordability or unaffordability are much more complicated than, I have to say, your Department is really suggesting? In the South West, it is clear that a lot of it is to do with inward migration and a lot of that is to do with second homes. Are we to accept this sort of market-driven analysis whereby we just have to accommodate this inward migration forever or is that not almost a definition of unsustainability?

Yvette Cooper: It is certainly true it is very complex in different parts of the country. In some areas, the challenge is relatively straightforward: it is simply high demand across the area and there is much higher demand than there is supply of new homes. The areas which are perhaps the most complex are those where you have a very high demand alongside areas of very low demand, some areas where you have particular communities where house prices have been rising very fast right next door to areas where house prices have either fallen or stayed very low. Some of the challenges of low demand areas that we are trying to address through the housing market pathfinders really do exhibit the complexity of this at the local area. That is exactly why we have said that this does need to be looked at in a lot of detail at the sub-regional level, which is the level of the individual housing market, the individual labour market. At that level you will see very different pictures: some being very high demand, some being a mix of high and low, some being lower demand and some being high demand but facing particular pressures. The issue you raise on the South West I think is an important one because what you have in the South West is affordability linked not simply to demand for housing but also to wage levels and economic growth relative to other areas as well. Certainly we accept there is a series of different complexities. The intention behind the planning reforms, the PPS3, in order to address those kinds of complexities, is to not have the same approach applied everywhere. I do think also it is true that you do need to look at the housing market everywhere, wherever you happen to be, whatever that sub-regional housing market is. You do need to look at those market factors, otherwise you are not properly reflecting the whole situation we face. **E34**

Q467 Martin Horwood: We have a local housing market in Gloucestershire where you can see differences which cannot really be related to housing supply because the places are only four or five miles apart and where it is much more related to quality of place and availability of jobs and things like that. Is housing supply not too simplistic a tool to be using, as lots of the evidence we have heard suggests?

Yvette Cooper: In the pathfinder areas we often find it will be areas where sometimes they get into spirals of decline and disadvantage, and having boarded up properties then has an impact on the rest of the street with things like crime and vandalism and so on as well. Certainly I would agree there is a complex mix of factors. However, I think you can also take a step back and look at what the global position is across the country as a whole, and say that household growth is substantially higher than new housing supply across the country as a whole. There just is that gap and as long as there is that gap, we will still see overall, across the country as whole, long-term house prices rising significantly higher than they are in other European countries and at a rate which means that first-time buyers and people with housing needs in future generations will face very serious pressures unless we respond. Yes, the response needs to be sensitive to different areas, but we cannot deny that there is a nationwide problem.

Q468 Martin Horwood: Why is house price inflation now falling?

Yvette Cooper: If you look at what is happening it is interesting in the housing market, we are at a different point in the housing market cycle. There is always a housing market cycle, but against that you have long-term trends in house prices as well, and that was what the Barker Review was very clear about.

Q469 Anne Main: You focused on equity in terms of people inheriting house wealth and so on, and you want to make things more equitable. It has been described as socially regressive to focus on buying houses with only very few houses being built to rent. Do you have a view on that?

Yvette Cooper: I think we need to build more social housing, more shared equity housing and more private housing, we need to do all three. Certainly we cannot just do more private housing as part of this, we need to have more social housing as well. We have already set out increases in the level of social housing as part of the current spending review, but we said as part of the Barker Review we want social housing to be a priority for the next spending review as well. We will set out what we think the level of increases needs to be over the next spending review as part of that process. I think we do need to recognise that increasingly people want to be able to buy their own home or to have a share of homeownership and we need to respond to that. I think it is important to support those opportunities, but we need to support opportunities for people who want to rent also. We said at the beginning of the Barker Review that we have three clear aims: a step on the housing ladder for future generations; quality and choice for those who rent; and mixed and sustainable communities as well. I think we are clear that we need to do all three. **E15, E12,**

Q470 Mr Betts: Some of us might agree with the analysis that we need to build more homes in this country and we are obviously aware of the potential constraints for the future on public spending, yet we can see the enormous requirement for investment in infrastructure costs in the South East and then more funding hopefully for social housing and shared ownership projects. Where is the money coming from?

Yvette Cooper: It is because we think that there are additional investment requirements that we set out the proposals for the *Planning Gain Supplement* and we are consulting on a proposal for a *Planning Gain Supplement* to raise some of the additional investment for infrastructure from the gain that takes place purely as a result of the change in planning status because we know there are very considerable gains. Some of those are tapped into by the section 106 process, but we think the *Planning Gain Supplement* would be a better way to do so and is a way to raise additional resources for infrastructure investment in particular. We said this needs to be something that we address as part of the Comprehensive Spending Review as well. That is why the Treasury has proposed a cross-cutting spending review, which brings together all the different departments not simply ODPM and the Department for Transport, but also Health, Education and so on to look at what the infrastructure requirements and the extra investment needs are. We should recognise that some of the investment is simply a question of where it is allocated; it is not just about level because you need to educate the same number of children wherever they happen to be. It is not simply about the new housing; costs arise from children needing education. There may be capital costs that are additional in terms of the location, but otherwise it is simply a distribution issue and not simply additional resources. **A25, B214, A24**

Q471 Mr Betts: In terms of the extra resources needed to ensure we get the new housing that your forecast indicates we need, have you any idea the feel for how much of that money is going to come from central Government through a Spending Review and how much is going to come from 106 and public accounts?

Yvette Cooper: No, I think we cannot set that out at this stage. That is something that will depend on part of the consultation and consideration around the *Planning Gain Supplement* but also the Spending Review process. **B215**

Q472 Mr Betts: But it would be fair to say then to successfully develop a planning gain system is essentially crucial now to delivering the targets you are forecasting that need to be met?

Yvette Cooper: We think it is an important part of providing the additional support for infrastructure. What we cannot do is say categorically how much would need to come from which and what the different resources were because that is the process we are now engaged in as part of the Spending Review. **A212**

Q473 Mr Betts: That will be announced at the time of the Spending Review, will it?

Yvette Cooper: We would expect to announce as part of the Spending Review then how much additional public sector investment we can put in, whether it is for infrastructure or additional social housing, for example, the Spending Review timetable. The *Planning Gain Supplement* timetable will obviously be affected by budgets and budget considerations as well.

Q474 Mr Betts: Sorry, I did not quite understand that.

Yvette Cooper: What I mean by that is we said that *Planning Gain Supplement* could not be introduced before 2008. What I cannot say to you at this stage is whether decisions about *Planning Gain Supplements* will always be announced as part of spending reviews rather than budgets. Obviously those are decisions for the Chancellor. **A213**

Q475 Mr Betts: It would be helpful if they were. It is very difficult to get an understanding as to how we are going to meet national targets if spending is being done in different ---

Yvette Cooper: Sure. The debate about these will be linked.

Q476 Chair: Can I ask about the level of private householding. Is that an end in itself or are the targets set in order to generate sufficient subsidy for social housing?

Yvette Cooper: No, we did not work out what level of private housing was needed in order to have an impact on social housing. We looked at an overall figure for the level of need given the impact on things like household growth. **E16**

Q477 Anne Main: You mentioned the number of children who need educating, for example. What assessment has been made of the type of housing you are building, whether it is family housing also, to know how to best direct resource facilities?

Yvette Cooper: I think that is a really interesting issue and it is certainly something that is coming up in a lot of the debates about London, for example, the need to build, say, additional family housing and larger properties as well. I think this is something that needs to be addressed at the more local level in terms of whether particular areas have oversupply of one kind of housing. There are some areas where, for example, they have lots of three-bedroomed houses but very few small flats for single people; there are other areas where the big need is for larger homes for families.

Q478 Anne Main: You do an assessment of that?

Yvette Cooper: That is the kind of thing that needs to be assessed as part of local development plans. We set out in the PPS3, which is the planning guidance for housing, the need to do that kind of analysis and to make sure you are supporting properly mixed communities and that you do recognise the kinds of housing needs that you have in the area.

Q479 Anne Main: You do not worry that some of your density targets may well mean you cannot build, say, bungalows or bigger family houses?

Yvette Cooper: I think it is very possible to meet the density targets and have a wide range of different housing. For example, I think we underestimate the terraced house. You can have very large terraced houses with plenty of bedrooms which are relatively high density. I think people think the only way to deliver density is through blocks of flats and that is simply not true. Good design means you can look at all sorts of areas of London, where there are Georgian and Victorian terraces which are very high density, often a lot higher than the levels we specify in PPS3 but also provide good design space and accommodation for families too.

Q480 Anne Main: The detailed costs for development in growth areas has yet to be accurately calculated but are likely to be high. Are you concerned that development potential will not be maximised on sites in growth areas, particularly the Thames Gateway, because of inadequate infrastructure?

Yvette Cooper: I think we have said that we think there needs to be more investment in infrastructure. We are putting a lot of investment into infrastructure already. If you look at the overall investment for the Thames Gateway, there is £6 billion going into the Thames Gateway from different kinds of mainstream funding sources and we have targeted investment also, whether it is through the support for things like Channel Tunnel Rail Link for the Department for Transport, programmes like FastTrack in Kent or Milton Keynes Station, there is a lot of that kind of infrastructure investment going in at the moment. £1.2 billion is the ODPM's contribution over the next three years for additional capital investment to facilitate growth. It is certainly true that infrastructure investment is critical, but that is exactly why, first of all, as I have said, we have not specified how fast we can increase the house building because we want to make sure we consider the investment needs as part of the Spending Review first and, secondly, why we think the PG estimate and things like that are so important.

Q481 Anne Main: You are happy that all the government departments are going to buy into this, allocate sufficient funds and give sufficient priorities?

Yvette Cooper: I think the cross-cutting spending review is certainly an opportunity to do that. It was the Treasury's proposal for a cross-cutting spending review, that means they are holding the ring on this and getting the other departments to contribute. We have got quite a lot of enthusiasm now from individual departments and certainly it is true to say in the past that we have not had enough co-ordination between different departments about the growth areas, but I think that really is increasing now. For example, the Department of Health has introduced a new growth area for adjustment into their formula for primary care trusts, but we clearly do want more co-ordination between departments on this for the future. **A24**

Q482 Mr Olner: You say that most of the decline in house building over the past few years is because of the collapse in council house building with the private sector staying pretty much the same. Given that is correct, why are most of the new measures in draft PPS3 aimed at freeing up the private house building market?

Yvette Cooper: I think everybody needs to get planning permission. If you are an RSL or a housing association and want to build new houses, you have to get planning permission as well. A lot of housing associations tell us they have difficulties with planning permission, with planning systems and so on and so forth. Whether they are private development, social housing or shared equity schemes and so on, there are issues for the planning system in terms of the way in which to treat housing development. Secondly, I think we have seen a big change over the last 30 years in terms of homeownership, attitudes towards home ownership, a big increase in home ownership and people wanting to be able to own their homes compared to, say, 30 years ago. There are even recent surveys showing very high percentages of people who are in council housing or in housing association accommodation, who say they would buy their home if they could afford to or they would like to be homeowners if they were able to. I think you have to recognise that shift in terms of demand and people's attitudes towards housing and be able to support those aspirations. Certainly, it is true we need to increase social housing and we set out some measures in the report about how, for example, high performing local councils and ALMOs might be able to do more using their own assets as well to build more housing too. There is a range of things we need to do, but that does not get around the need for there to be more private house building too. I think it is interesting at a time when there has been increased demand for private housing, because you have got more people wanting to own their own homes, but why has the private house building market not expanded to fill that gap? What is the market failure here? Why is it that house builders are not building far more houses in order to respond to that private demand? I think there is a serious question here that is not just about the planning system, it is also about the way in which the house building industry has responded to the housing market cycle, the way in which they are not looking at those long-term needs and not increasing house building to meet those long-term needs. **E41, E42**

Q483 Mr Olner: Hopefully the planning gain system will be able to address that. I do not want to steal the thunder of colleagues who will be asking questions. It is this silly number where you predict how many houses need to be built, the land is then made available, very painfully sometimes, and then it is not used. All the while, there is a pressure on local authorities to ensure there is a proper adequate supply of social housing. Less than two per cent of the local authorities who were surveyed felt they could meet the need in social housing in their particular areas. I have to say, I have seen it in my own area where there is plenty of choice within the private sector, there is very, very little choice offered to people who are trapped in the socially rented areas. I think that is because there has been no building allowed.

Yvette Cooper: We should be clear there has been a lot of building in terms of social housing. It has been concentrated in the areas which have got the highest demand and the highest cost. I think we need to do more to address areas like yours, areas across Yorkshire where my constituency is and so on, where there are social housing needs as well. As part of our social housing analysis that we do in the Spending Review we need to also look right across regions and not simply at the southern regions in the same way that we do with the private sector. **E17**

Q484 Mr Olner: One final thing on this because I think it is so important. We mentioned earlier, Minister, about the various financial packages the finance industry is very clever in putting forward now. We seem to have lost the connection between the price of a rented property and the price of a property which is being bought. I think if we increase the amount of social housing and let local authorities be the managers that do that, I think you will start to see some stabilisation in private house prices.

Yvette Cooper: I am not quite sure what you mean by that. Certainly, there is a big gap between social housing rents at the moment compared with private sector rents. The social and housing rents certainly in London and the South East are significantly lower than private sector rents. It is obvious why that should be the case. I am not sure what the point is about the link with house prices. **E23**

Q485 Chair: I think what Mr Olner is trying to say is that if more people could get social rented property they would not require to buy.

Yvette Cooper: Certainly, there is a link between the two because I am sure the social housing waiting lists go up in areas where people cannot afford to buy their own home where they might want to otherwise, so there is clearly a link between the two. I think we have to recognise that people often want to buy housing or want to have a chance to be able to buy a share of their own home, maybe they cannot afford to buy all of it, but they want to be able to get a foothold on the housing ladder as well.

Q486 Anne Main: Following on from that, Minister, do you believe you can stem the increase in house prices in a sufficient way to allow a significant number of households to get onto the housing ladder? In which case then, what is the balance between increasing access to home ownership by helping more first time buyers and increasing the supply of housing?

Yvette Cooper: To take the first part of your question first: the analysis we did, as I said, showed that if you carry on with the 150,000, broadly, a year over the next ten or 20 years compared with the level of household growth, the impact you would have is that the proportion of 30 year old couples able to afford their own home would drop, so it would fall from just over 50 per cent down to nearer 30 per cent or about a third. If you increase the level of house building, you could substantially increase the proportion of those 30 year olds who are able to buy in 20 years' time. You do have to recognise that it has a long-term impact and sometimes the impact of the additional house building over the next five years might have its greatest impact in terms of affordability over a much longer timescale. This is not something where there is a quick fix and you can increase house building.

Q487 Anne Main: You said substantially, do you have any figures to plan for that?

Yvette Cooper: I think there are some figures in one of the documents. As you can see I have come carrying huge numbers of Barker documents. If I can draw your attention to something on the Government Response to Kate Barker's Review of Housing Supply: The Supporting Analysis. This sets out some particular different models, it does not set out specifically what it is we are going to do because the pace of that will depend on the Spending Review. It has a model compared with what would happen by 2026 under the current proposals, and under current levels of building it has another model with higher rates.

Q488 Anne Main: There has been a large amount of scepticism by people who have reported to this Committee that you can build out that price differential sufficiently to make them truly affordable.

Yvette Cooper: It is certainly the case that regardless of the plans in terms of house building, there are a lot of people who also need assistance in terms of shared equity. People who would like to be able to afford their own home, have steady incomes, can afford to buy their own home or can afford to keep up with regular mortgage payments, but cannot afford to buy the whole home and for them increasing shared equity is a real opportunity. Yes, we do think we should have far more shared equity products. Again, I think there is an interesting question about why it is that the private sector has not already expanded shared equity products and why there is not more shared ownership at the moment. We want to push that, we want to increase it both through housing associations, but also through working with the private sector as well. **E12, A214**

Q489 Anne Main: I think it follows on from what has been said, there has been a degree of concern expressed that you are helping those on the margins of home ownership stand on tiptoe rather than helping those in greatest housing need.

Yvette Cooper: You need to do all three things. You need to expand supply overall, but as part of that you also need to increase social housing and increase shared equity housing.

Q490 Anne Main: Are you convinced you have the proportions right?

Yvette Cooper: We have not set out exactly what the proportions should be at this stage because that is part of the debate as part of the Spending Review. We have clearly set out our proposals over the next few years in terms of shared equity, but said that we want to go further. We have set out our proposals for social housing over the next two years as part of the Spending Review, but in terms of where we go from there, we need to do further work on exactly what the right balance should be. **E18**

Q491 Martin Horwood: We have some evidence, and it is following on, again, from Mr Olner's point, that it is the lack of social housing itself which may have contributed to the inflationary effect on house prices and the reason why people need to get on the housing ladder - as you said, they all want to get on the housing ladder - is because of the chronic lack of social rented housing, is that not possible?

Yvette Cooper: Clearly, I do agree that we need to build more social housing. The thing I think that analysis does not reflect is that, first of all, we have overall household growth compared with the overall level of house building, where there is clearly such a substantial gap, the 190, 000 figure compared with the 150,000 figure. However you build the homes, whatever kind of homes they are, there is a substantial gap between the level of household growth and the level of new housing which you need to increase. Therefore, I simply do not think a smaller increase in social housing will solve the problem that you face in terms of overall housing need. The second issue which it does not reflect also is that people's attitudes towards housing have changed. Increasingly people want to be able to own some assets themselves, even if they are only able to afford a share of their own home. I think it is right that the Government should respond to an increased desire to own assets and to share in asset growth across society rather than it simply being the preserve of a smaller number. **E42, E35**

Q492 Dr Pugh: Can I come on to the PPG3 and its removal and replacement by PPS3, the draft Planning Policy produced as part of the Pre-Budget Statement. Personally, I was very encouraged by that and I have also been very encouraged today about what you said about sub-regional markets, flexibility and also by your general tendency to engage with the Committee in a very open-minded, evidence-led way. Playing devil's advocate on this, the general drift is to make brownfield sites marginally less attractive and, if I can add a rider to that again, is this partly because some of the brownfield sites that are the prime sites, the best sites and easy to develop have, in a sense, gone and we are now looking at a second wave of brownfield sites which are more difficult or simply windfall sites being brought about by the closure of a factory or something like that?

Yvette Cooper: I do not think that is the intention behind PPS3 at all. Certainly it is our intention to increase the amount of land being brought forward for housing, particularly in high cost areas. The key thing I would draw your attention to in the PPS3 consultation is there is a chart, which I think is at annex D, which sets out the different ways in which it might work for different kinds of areas because it would be different in different kinds of areas. Milton Keynes is very different from Merseyside; different kinds of pressures apply in different areas. We have been very clear that the brownfield target must be retained, that local areas should also set their own brownfield target, which should be applied over the course of a five-year time horizon, that local authorities should also be playing a much more active role in terms of bringing brownfield land forward because we do know that, yes, there are some great brownfield sites which may already be being developed, but there are also a whole load of brownfield sites which could be being developed, but they may need a bit of additional work, maybe additional public sector involvement, maybe remediation work and maybe additional infrastructure, for example, in order to make them appropriate for development. That is why we have been clear that there has got to be an active strategy by local authorities to bring forward brownfield land rather than simply a passive process which says, "You just wait for it to come through the planning system". The other thing we want to do is consult on whether there should be different rates of planning gains and supplement for brownfield and greenfield land as well as an interesting question to ask. **E34, B21,**

Q493 Dr Pugh: How do you deal with the difficulty that you may get even within a sub-region where you may get people, quite legitimately, worried about urban sprawl, where the centre of a city is to be developed, which is all good, and not erode the green belt? Within the same sub-region, you may get other areas, maybe smaller towns - we can think of a number of those - where there is limited capacity to develop brownfield capacity and yet the planning regulations tend to inhibit any development and, in effect, they simply work as a restraint on economic growth? How do you deal with that kind of dilemma?

Yvette Cooper: That is why, again, I think it does go back to whatever the sub-regional market is. That is why people have to decide across the sub-regional market what is the appropriate level of development, but also location of development. We do also have some sympathy; we had some points raised with us by people representing rural communities. They said there is an issue about sustainability, sometimes of small villages or small towns. A lot of our concern about sustainability has often traditionally been about, having new building near to where transport hubs are, near to major centres or towns, whereas people are saying, "Yes, it may mean more car journeys if you have got additional new house building in a particular village". On the other hand, you may have a village where, because of the ageing population within the village, there is a need for a small amount of additional housing in that village in order to keep that village sustainable, to give it a life for the future. We have tried to reflect that kind of sensitivity in PPS3 as well compared with the previous guidance.

Q494 Dr Pugh: Why on earth in the first five years have our local authorities to phase the release of sales?

Yvette Cooper: In annex D of the PPS3 document we do say that may well be appropriate for areas, for example, where they have low demand. We have set out areas where there might be low demand, where it might be appropriate to phase the development over the first five years, but there are an awful lot of areas where there is high demand or medium levels of demand where it should not be appropriate to phase because what that phasing is doing is slowing down development. You have got some areas where local authorities are saying, "Well, because this particular bit of land has not been developed yet, therefore no development can take place" and it may be that the reason why that particular piece of land has not been developed is because of an infrastructure problem or because of a particular complex ownership row which is going on between different players and, therefore, that should not be used to hold up the level of housing development that is needed. Again, we have set out in annex D examples where you might have phasing beyond the five years that would be appropriate in different ways for different kinds of housing markets depending on the level of demand in that area.

Q495 Dr Pugh: Can you explain your view on windfall sites because obviously there is a difference of opinion there as to how they should be treated?

Yvette Cooper: We looked at different approaches to this. What we do not want is the approach to windfall sites to be unrealistic. One view put to us was that you should not take account of windfall sites at all, you should have no anticipation of windfall sites and just plan on the basis of the sites you know about. Clearly, particularly in London, for example, a lot of the development which takes place takes place through windfall sites. You need to have some sensitivity to that but, equally, you should not use a kind of over-optimism about windfall sites as an excuse not to identify the land which might be needed.

Q496 Mr Betts: Before we had PPG3 and the sequential test we had lots of derelict urban land in Sheffield and basically nobody wanted to build on it, they went for greenfield after greenfield after greenfield. Suddenly, because of this sequential test, we have found a big change in our developers, they are queuing up to start building on brownfield sites. On each occasion, if they could show there were not brownfield sites capable of being built on, they could build on greenfield sites. Is this flexibility not already in the existing PPG3? My worry is once you take that pressure off developers, they will revert back to the easy options of building on the greenfield sites.

Yvette Cooper: What we are doing is by saying you have got to identify a five-year allocation of land, it may well be that in somewhere like Sheffield the majority of that allocation is brownfield and the vast majority of that five-year allocation should be brownfield sites. It still allows a strong concentration on brownfield. It also allows flexibility for phasing, as we set out, depending on different kinds of areas. We think there is also an issue about local authorities setting brownfield targets. My view on this is that you need to avoid developers trying to cherry-pick in terms of the process and trying to get round brownfield development. Equally, you need to avoid a particular single brownfield site which has got problems being used as an excuse to bring forward other brownfield sites or other sites which might be appropriate. It is finding the right kind of guidance which gives the balance. That is our intention behind the guidance and that is why we are consulting on the detail of it at the moment. I think also that giving local authorities the incentive to do more work around some of the brownfield sites themselves is an important part of it, you cannot just allow the planning system to do the work, sometimes the local authority needs to engage with some of these sites, maybe through using CPO powers to bring forward some of the brownfield sites too. **B21**

Q497 Mr Betts: You can have local flexibility if a local authority wants to continue using a sequential test approach, will it be allowed to?

Yvette Cooper: It will depend on the kind of area that it is and the level of housing demand and also the level of development which has taken place. What I would draw your attention to is annex D in the PPS3 because that does set out the different kinds of situation that would apply for different areas.

Q498 Martin Horwood: I am interested that you have not even mentioned the environmental impact in all this. One of the risks of this relentlessly market-driven approach, it is fine when you are trying to bring forward brownfield land in desirable areas, high cost areas, which I obviously support, I am sure most of us would, but it puts the same kind of pressure on greenfield sites as well. The areas of high demand and high cost are going to be the ones with the most sensitive green environments often. Is that not a threat in this very market-driven approach by the government?

Yvette Cooper: I kind of assumed you were all going to ask me about environmental constraints, which is why I had not mentioned detail of the environmental considerations earlier.

Q499 Martin Horwood: You are the one who is talking about market failure, market driven and high costs, but not the environmental impact.

Yvette Cooper: In terms of the ability to take account of environmental impact, what we do, again in this annex D, is set out that you might have an area where you have high demand but you also have environmental constraints. Those would be treated differently from an area where you have high demand but you have lower environmental constraints. There are some areas, for example, where although there is high demand, the green belt is very tight around the border around the urban area, perhaps for good reason to do with Areas of Outstanding Natural Beauty or particular environmental constraints and therefore, it is not appropriate to build in those areas at the same rate that it might be, for example, in the Thames Gateway. There are differences that also are not simply about the level of demand, they are also about environmental constraints and we do try and set that out. We have categories where you have got high demand but also environmental constraints and high demand but only limited environmental constraints in order to try and be sensitive to those different kinds of circumstances. Of course, you are right that environmental considerations need to be a central part of the planning system. We are not saying that the market should override environmental considerations, we are saying that market considerations should be taken account of in the planning system in a way that they are not currently taken account of.

Q500 Mr Olner: Obviously with brownfield sites one of the problems with them nine times out of ten is contamination. I know English Partnerships have given evidence before and I know they have had some difficulty falling foul of the European Union competition rules. Has all that been cleared out of the way now, where we are playing on a UK board, are we?
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Mr Wells: I do not recognise the European problem you raised, but the EP are certainly engaged in this in the mediation of particular brownfield sites. The circumstances vary an awful lot. Sometimes brownfield sites are almost as easy to develop as greenfield, other times, as you say, they are very contaminated and a lot of work goes on to decontaminate them.

Mr Olner: The essence of it was that the public purse had to pay, quite rightly, for that bad contamination to go and then we missed out because European competition law said that the ones that are cleaned up could not get it out right again. It was a real problem.

Chair: There seems to be a bit of confusion about this. Can we suggest that you provide chapter and verse in writing afterwards and we get an answer back?

Mr Olner: Yes.

Q501 Anne Main: First, you said some land may not be developed because of infrastructure. Currently, in a lot of areas there is a recognised infrastructure deficit. Are you taking that into account, not just the infrastructure for the new things proposed? Secondly, back on the environment: I think there are concerns about the amount of pollutions and carbon emissions that come out of houses, and some areas already have air quality management issues that will be exacerbated by intense development. What is being done because very little is done to manage the air quality management issues we have got already?

Yvette Cooper: On the infrastructure, obviously we have said very clearly that we are providing substantial investment for infrastructure but, equally, we believe we need to go further to set that out very clearly.

Q502 Anne Main: To address the deficit?

Yvette Cooper: It is always the case that particular local areas will ask for more resources and we recognise that, whether it is because of housing growth or because of regeneration needs and so on, that is the situation which is always the case right across the country. Every individual area will set out what it is that its individual resource needs are and will also request additional resources.

Q503 Anne Main: Would you recognise a genuine deficit?

Yvette Cooper: I think there are some areas where we need additional investment in infrastructure and there are others where the infrastructure investment is quite sufficient to provide the additional houses, it varies from area to area. We have said where, for example, we think there is additional infrastructure needed and we will look at that as part of the Comprehensive Spending Review as well. I think the point you made about environmental protection is a really important one because environmental protection is not simply about the kind of brownfield/greenfield debate, it is also about the environmental standards of the housing. You raised the issue about the impact on air quality for transport and if you design your sustainable development in the right way and you get homes closer to jobs rather than expecting people to have huge long commutes, for example, to work - as is the case often at the moment if people cannot afford house prices near the areas where you work - you can reduce commuting distances and you can reduce that impact in terms of the carbon emissions from transport journeys. We also think we need to do more in terms of environmental standards in terms of the building of housing, which is why we set out the Code for Sustainable Buildings and also, for example, measures to tighten water regulations as well to reduce the water use. We developed those in discussion with Defra and also the Environment Agency as being a particularly important measure there. **A215**

Q504 Martin Horwood: The Code for Sustainable Building has come in for some criticism, mainly because it is voluntary and it is only likely to be applied to schemes with public sector input. Will the Government consider making the Code compulsory for all private housing developments by incorporating it as part of the building regulations?

Yvette Cooper: What the Code does is it sets out five different levels. It is not simply a single code that you have to meet particular standards. It is underpinned by the building regulations. You need to keep that statutory requirement. This is not an "instead of having statutory requirements", the idea is to have further standards that are above the statutory requirements. What I think is the opportunity for the future here is to say that over time you raise your statutory requirements towards your voluntary code and you improve your voluntary code as you get new technology, for example, and so on. We have already increased the statutory requirements on building regulations to improve energy efficiency by 40 per cent for new buildings. What the Code does is it goes even further than that in terms of higher potential standards that are voluntary, although we have said that all homes built by English Partnerships and the Housing Corporation would meet level 3 of the Code, demonstrating that it is possible to go further to improving environmental standards. I think the more you have got that happening in practice, demonstrating that it is possible, the easier it is to do future reviews of your statutory baseline.

Martin Horwood: There are commercial house builders whom I have talked to who quite reasonably say they will not incorporate this because they have no market incentive to do so because they cannot command a premium in price as a result of the investment required. Until you make it mandatory, it is not going to happen, is it?

Q505 Chair: Can I add to that. Certainly the experience from the growth area in Milton Keynes is that there will be estates where the public housing is to higher environmental standards and next door there is private housing to a lower environmental standard. It is already happening that the private sector is not delivering?

Yvette Cooper: We think that it is one of the reasons why we need to monitor the Code very closely and we need to look at whether we should consider incentives around the voluntary code. I think the principle is to have a statutory standard which everybody has to meet, which you do increase over time, and we have just increased it. There is a whole debate about increasing your statutory standards, but also in addition to your statutory standards having a voluntary code. It is like the eco-homes standard which has been used in lots of different areas, but it is broadening out from the eco-homes standard to have a code which can be used everywhere, where everybody is clear what the standards are, that encourages people to go further than the statutory baseline, whatever it might be.

Q506 Martin Horwood: By the time you have gradually increased the statutory standards, we will have had climate change changing the climate, we will have a Canadian winter and you will have to change them then. At some point you are going to have to take account of the scale of the environmental crisis we are facing.

Yvette Cooper: Do not underestimate the fact that we have had a 40 per cent increase in the environmental standards of the building regulations in five years, so I do not think we are reluctant to increase the energy efficiency standards. What we are saying is that we should also have the opportunity to go further. For example, the highest level of the Code talks about promoting micro-generation. You could not prescribe micro-generation, you could not make that compulsory as part of the building standards at this stage, it is still at an early stage of development, and there is a whole series of issues in terms of cost-effectiveness. What you could do is use your voluntary code to promote the greater standards that you then, over time, allow your statutory baseline to move towards.

Q507 Martin Horwood: Micro-generation is an interesting point. That raises an issue which is the wider housing market, existing homes, which pose an even bigger challenge than new build under the environmental performance, and I allow micro-generation into that. What can the Government do to improve that portion of the housing stock?

Yvette Cooper: We want to make it easier to get planning permission for certain forms of renewables and at the moment we are looking at that and want to consult on on doing that. We have also set in place a wider review of existing buildings which we are conducting with Defra as well, which is looking more widely at what other things you might be able to do. We have a big impact with boilers, for example, in term of existing buildings, but it is harder with existing buildings.

Q508 Martin Horwood: Including tax incentives?

Yvette Cooper: We are looking at a whole wide range of whether you could do things through incentives or do things through a whole wide range of things.

Q509 Lyn Brown: It seems to me that one of the biggest problems in London and the South East in terms of housing supply and affordability is that if somebody is not in the subsidised rented sector, in some parts of the country they may find work unaffordable. Is there any work being done within the ODPM and with other departments in order to deal with that?

Yvette Cooper: You mean by this the impact on things like housing benefits?

Q510 Lyn Brown: Yes, basically.

Yvette Cooper: We are doing some work with the Treasury and the DWP on the relationship between things like housing benefit and work incentives and how you can support people into work. We have got some quite interesting pilots going on, certainly in parts of London, at the moment, which are looking at this, particularly for people who are homeless and for people who are in temporary accommodation to help them get into work. We are looking at some quite interesting pilots in both Newham and, I think, Walthamstow as well.

Q511 Lyn Brown: There are many factors which affect house prices. How would you ensure that factors such as interest rates are taken into account when considering if land supply is adequate? Do you think a five-year land supply is sufficient?

Yvette Cooper: What the planning guidance does is say that local authorities ought to be identifying a 15-year horizon. They may have a five-year allocation of developable land, but beyond that they should really be looking 15 years ahead. Certainly, if you are thinking about planning for long-term infrastructure requirements, you do need to think that far into the future. I think that is an important part of it. I was not quite sure how the first aspect followed.

Q512 Lyn Brown: Interest rates.

Mr Wells: The figures the Minister quoted earlier for the proportions of 30-year-old double earner couples who could afford to buy, those take account of present day interest rates and they compare them in various charts with what the position was in the past. What they exhibit is there is a real problem, even though interest rates have come down, and that makes debt less expensive, obviously. Nevertheless, there is a real problem over affordability for people in that sort of position. It is not a problem which does not exist because although home prices have gone up, interest rates have gone down, there is a real problem with affordability here

Q513 Alison Seabeck: *Planning Gain Supplement*: there have been a number of attempts in the past to introduce a planning development tax and all of them have faced the threat of repeal by subsequent governments. You have already talked about the problems we have in getting house builders to build for a range of reasons. Clearly, there will be further anxieties about any *Planning Gain Supplements*, therefore, I can understand the concern raised in a consultation about the level at which it will be pitched. Is there a real danger that the level could be set so low, as a result of that anxiety and caution, that the receipts are insufficient to achieve what you hope to achieve with them?

Yvette Cooper: I think we have always recognised that the need, whether it is for things like social housing or for infrastructure investment, requires a cross-cutting Spending Review, not simply a debate on PGS, we have always been clear about that. The purpose of the PGS is both to simplify the system, but also to look at whether it is possible to raise additional resources. We are clear that it does need to be at a modest rate in order to continue to support development, but that it should also, obviously, be set at a rate which would allow you to raise additional resources for infrastructure above and beyond the current section 106 system. **A24, A215, A23**

Q514 Alison Seabeck: Given that this is going to be a national tax, can you explain your thinking on how this is going to be released for local use? Obviously there is an option here that a proportion of this will be held centrally, who is going to oversee the distribution to local authorities? Do you see the percentage that goes out from local authority to local authority varying? Would you be putting pressure on the Treasury, for example, for that centrally held proportion, perhaps, to be used to support social housing grant?

Yvette Cooper: We are still consulting on all of this at the moment. The way we set out our thinking is that we think all of the PGS needs to be used to support growth, but that some of that may be needed at the local level and some of it may be required for regional infrastructure, strategic infrastructure, which cuts across local authority boundaries. Therefore, we are consulting on whether, for example, there should be a fixed percentage which should go back to local authority areas. We certainly think the majority should go back to local authority areas. I think there is some value in transparency there for local authorities knowing what the consequences would be if you have a particular development and knowing what the impact of that would be. We have not yet set out any kind of specific details about levels or what the process would be. There are options involving sub-regional areas, there are options involving regional decision-making, about some of that cross-boundary infrastructure as well. It is also being able to take account of if you have a particular area where there are very significant infrastructure needs, but you are not getting particularly high planning gain, perhaps because you are developing brownfield sites, for example, where you may see less planning gain, therefore, making sure you can fund that infrastructure as well. **A215, B25, B26, B214, B21**

Q515 Alison Seabeck: The planning gain on brownfield sites perhaps does not come at the point of the developers taking on the land, but possibly ten years down the line because a lot of brownfield sites are inner city sites which are potentially very valuable in terms of rental income. Are we missing out on something here?

Yvette Cooper: That is true. We have not said for certain whether we would do a differential rate because we wanted to have a response in consultation. We have consulted on it because we are certainly attracted to the idea of having an incentive for brownfield development. **B21**

Q516 Alison Seabeck: My point is that the brownfield site initially you might need some incentive on, say you have an inner city site, brownfield gives the cheaper option but in the longer term because it is a prime site, development on that land could accrue significantly more income for a developer because of the rental or whatever.

Yvette Cooper: Your point is you get a development gain long-term down the line and the costs are needed upfront?

Q517 Alison Seabeck: Is that something which is part of the consideration which is going on at the moment?

Yvette Cooper: One of considerations is the way in which the planning gain is looked at is to say what is the gain which arises from granting planning permission and to measure that section in the process. There are certainly issues about what you need to do in order to sort out brownfield land to improve brownfield land. There are different ways in which you might be able to do that. One is by having a process in which local authorities are able to use prudential borrowing because they know there will be gains further down the line. Others are looking at other kinds of ways of funding the infrastructure which might be needed at an earlier stage. Yes, it is a consideration, but I think there are ways of addressing it. **B218**

Q518 Alison Seabeck: Finally on section 106: it is much better understood now by local authorities that have to negotiate, but clearly part of the problem with 106 has been the fact that local authorities have not understood how to negotiate them. How will you ensure that the progress which is being made currently is not lost under the new system and that funds are therefore not siphoned off for infrastructure and other things which are inappropriate?

Yvette Cooper: We need to continue the progress which has been made on 106. We think 106 should continue because the infrastructure which is related specifically to that site, the immediate needs for that site, the roads that will go across the site, social housing on the site as well, section 106 needs to still cover those issues and, therefore, there is a continued process of improving section 106 negotiations. We also think the tariff approach being developed in Milton Keynes, which effectively is a version of a section 106 agreement, has great potential to be used between now and the implementation of the *Planning Gain Supplement* and especially in the growth areas. We want to promote the development of that. People sometimes think because we are consulting on a PGS maybe we are not interested in tariff, quite the reverse is true. We think there is huge scope for the tariff approach in the Thames Gateway, for example, and in other areas as well. **A310, B12,**

Q519 Mr Betts: Coming back to the planning system. There has been an awful lot of change, has there not? We have PPG3 which brought in the sequential test and some of us thought that was going to work. I put the point to Kate Barker at a conference that perhaps one of the difficulties was that a change of that significance did create a bit of a hiatus in builders' plans, they suddenly had to start switching where they were going to build. We have now got PPS3, which is slightly different; we have got the major changes in the 2004 Act and we are now asking Kate Barker to do another review of the planning system. Is not this degree of uncertainty around one that is likely to put off builders committed to the future?

Yvette Cooper: I think the general response we have had from the building industry has been very positive about the planning for housing reforms and this is something that they have welcomed. I hope they would not see that as a problem in terms of an uncertainty and a reason not to take forward developments. It is certainly the case that there can be uncertainties that are created by change and you have to do everything that you possible can to mitigate against those. In terms of the additional work that Kate Barker is now going to be doing and looking at planning, we have made very clear that is to look at other aspects of the way in which planning supports economic development, it is not to revisit the whole process around PPS3 and housing development. **E43**

Q520 Mr Betts: In terms of the impact of the PPS3 changes, as I understand it, the draft you produced accepts that there could be extra costs for developers and also extra costs for the planning authorities at regional and local level because of the different processes they need to go through as this more flexible system is introduced. Who is going to provide the extra resources for the planning authorities?

Yvette Cooper: We are already providing additional resource for planning authorities through things like the planning and delivery grant.

Q521 Mr Betts: These are additional costs.

Yvette Cooper: As I said, we are already providing additional resources. Where there are clear new burdens, we have a new burdens principle in which we provide additional resources. We also think there are significant savings to be made from improving the system, making the system swifter and more effective as well. In the end, when applying the new burdens principle and deciding what additional resources might be needed, you have to look at all of those in the balance.

Q522 Mr Betts: Is there any detailed analysis being done as to how those savings can be made? Can it be made available to the Committee?

Yvette Cooper: Certainly anything that we have, we can make it available to you. Obviously the stage we are still at at the moment with PPS3 is we are still consulting on it.

Q523 Mr Betts: Has any analysis been done on whether extra planning staff might be required and whether they are available?

Yvette Cooper: I do not know whether that detail of analysis has been done. We have to do a Regulatory Impact Assessment, which I assume is what you are quoting from.

Mr Wells: We do a partial Regulatory Impact Assessment which is here, which is probably what you are quoting from, part three of this document. We do a full one, the final thing that came in, which would be when you would look at those details, bearing in mind what people have said back to us.

Q524 Mr Betts: Would it count in the demand for planners whether they were available as part of that?

Yvette Cooper: That is one of the things effectively that you ask about or consult on. By publishing a Regulatory Impact Assessment is to ask people what impact they think that will have.

Q525 Mr Betts: I am going to look at the location of where we are proposing the new houses to be. In some ways it seems a bit perverse, does it not, that if we want to build new homes in this country, we choose the place which has got the most congestion, the least amount of water and has the highest cost for the houses we are going to build?

Yvette Cooper: This is interesting, is it not, because I assume you are inclining the idea that the South is more congested, more urbanised than the North, so therefore why build there? Whereas if you look at the urbanisation figures by region, you find that, for example, the East of England is substantially less urbanised than the North West of England. The urbanisation figures for the North West are something like just under 11 per cent, whereas the urbanisation figures for the East of England are under seven per cent. Yes, it is true that London is a huge big city and, yes, there are considerable congestion problems for London, but the idea that the East of England and the South West - the South East is about the same as the North West in terms of levels of urbanisation - are somehow far more congested and, therefore, that you should build in other regions is not borne out by a lot of the urbanisation fact. If underneath your question is a broader question about the regional balance of growth, you do have to recognise levels of demand, the costs that are there and also economic pressures as well. I take the view that we need to look far more at the rising housing demand in other regions and not simply in the South. I think that is a shift in the Government's position compared with previously, but, equally, you cannot ignore the fact that a lot of those demands for additional homes are in the South.

Q526 Mr Betts: Then we look at the commitment which has been made, and it would probably quite work in principle with the new growth points. It is only £40 million and it looks like a good idea which is not really funded. If you look at the Northern Way - we had evidence on this - many people, myself included, can see the benefits of the concept, but then you go to the Department for Transport and say, "Where is the money for the infrastructure investment to make HA and Northern Way?" and it is not there because it is all going to the South East to back the housing.

Yvette Cooper: Partly this goes back to the point I was making before that every area wants its money and every area can tell you all sorts of reasons why additional resources are needed. Even at a time when we are massively increasing investment in public infrastructure, there is always an argument between competing districts and areas. I think the £40 million new growth points money is just initial funding, we should be very clear about that. This is in order to start development in particular additional areas to our existing growth points. We are asking areas to come forward to us and put in their proposals to say what sort of level of housing growth they think their area could sustain. We have areas, towns and cities that are saying they think it is important and in their local interest for them to expand, it will improve the town centres, it will better sustain their local economies as well and the £40 million is just initial funding to get those areas developing. Clearly, there will be much more infrastructure needs for those areas in future. **C215**

Q527 Alison Seabeck: Ministers, and specifically the Deputy Prime Minister in the past, have expressed concern about the size of private house builders' land banks, something when they came and saw us they denied they had almost. If more land is released, how would it be possible to stop house builders building up even larger land banks without necessarily producing more houses? How are you going to incentivise them to build?

Yvette Cooper: This is a big challenge for the house building industry because if we make reforms to the planning process, they need to respond and they need to build more houses. One of the things we have done is make it possible to change the time limits on planning permission so that you do not have companies applying for planning permission and holding the planning permission for a long time before any development takes place. There are questions, not simply, interestingly, about the land banking but about the process of holding options on land, which is much more difficult to understand what is happening. I think there are some questions about that. The challenge for the house building industry is to respond. We have made very clear the need for additional housing, that we want to set out a process of providing additional infrastructure funding and we want to make the planning system more flexible, but they do need to respond. We have also said we are concerned about the strong cyclical response of the house building industry, so that it is not just responding to long-term trends in house building, it is very strongly cyclical in terms of the response and also the need to ensure there is new entry in the proper competition within the house building industry as well. I think this is an area obviously we will continue to monitor. **C26, A24, C213,**

Q528 Alison Seabeck: Have the house building industry expressed a view to you that by building on the sort of scale you would like them to build on, it will depress their profit margins effectively because you are aiming to build so many that the price levels will stabilise? Is that a discussion you have had with them?

Yvette Cooper: Certainly, they have not raised that concern with them. I do not know if they have raised that with officials at all?

Mr Wells: They tend not to say that. Bear in mind how much house prices have gone up and a lot of that has gone into land. I think they would find it difficult to make the case that they could not be profitable at considerably higher levels of house building.

Yvette Cooper: They will sometimes say it about individual sites, they will raise points that they need to phase the development of a particular site, but I have certainly not heard them raise concerns to me about the overall levels that we are talking about.

Chair: Minister, can I thank you very much indeed, particularly since we have overrun the time you gave us. Thank you very much. If we have any additional questions, we will let the department have them and I am sure you will respond.
